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THE UNIVERSITY OF ALBERTA

THE JUCHE IDEA AND ECONOMIC STAGNATION IN TOTALITARIAN NORTH KOREA

BY

CHANGHO JI

A THESIS

SUBMITTED TO THE FACULTY OF GRADUATE STUDIES AND RESEARCH
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE
OF MASTER OF ARTS

DEPARTMENT OF POLITICAL SCIENCE

EDMONTON, ALBERTA

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THE UNIVERSITY OF ALBERTA

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The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research for acceptance, a thesis entitled The Juche Idea and Economic Stagnation in Totalitarian North Korea submitted by Chango Ji in partial fulfillment of the requirment for the degree of Master of Arts in Political Science.

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Date: October 13 1986

ABSTRACT

The North Korean economic system is modelled after the archetypal Stalinist totalitarian system. Kim Il-Sung, President of North Korea, introduced this model in 1946 and reinforced it after the Korean War. In addition, the mass-line of Maoism and peculiarities such as an obsession with unification and the cult of Kim's personality are important features of the North Korean political economy.

The Juche Idea, the official ideology of North Korea, implies all these features, and functions as a basic economic guideline. In North Korea, the Juche Idea explicitly includes economic principles such as centralization, rapid industrialization, agricultural collectivization, mass-line, closed economy and the emphasis on heavy industry. The economic operations in North Korea seriously reflect these items.

If we examine the importance of the Juche Idea, in terms of economic factors, it becomes clear that capital accumulation, labour, resources, technical progress and trade are exposed to this political ideology. As a result, the North Korean model prevents capital accumulation, improvement of labour quality, and introduction of new technologies; the Juche Idea hinders the transition from a stage of extensive economic growth to a stage of intensive economic growth. Foreign savings

and imports are crucial factors which determine economic ups and downs. There is a circular relationship between the Juche Idea and the economic stagnation of North Korea. Economic stagnation has reinforced the tendency to rely on the Juche Idea, which in turn has retarded economic growth. Without the destruction of the vicious circle between the Juche Idea and economic stagnation and there can be no transition from a policy of extensive growth to a policy of intensive growth, and the economic crisis in North Korea will worsen.

The understanding of the Juche Idea and its implications elucidates the primary cause of economic stagnation in North Korea. In addition, the importance of foreign savings and imports, and the vicious circle are major features of North Korea's political economy.

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I. INTRODUCTION

> One Way to define the nature of North Korea is to treat it as a type of a totalitarian system. ... We can accept any one of the standard definitions of a totalitarian state and apply it to North Korea to delineate its basic characteristics. We can then compare North Korea with other totalitarian systems. As a result of such definitions and comparisons, we may be able to understand the organization and operation of the North Korean system in dynamic terms. Through such as exercise, we can perhaps gain a more balanced and accurate view of the North Korean system than the impressionistic account based on such casual observations as "the closest thing to George Orwell's 1984" or "a perfect garrison state.

To this description of North Korea by Hongkoo Lee, we may add the following qualification.

> There is obviously a significant difference between a fascist totalitarian system and a communist totalitarian system. Furthermore, not all communist systems are totalitarian, and the differences between a totalitarian communist and a nontotalitarian communist system has to be duly recognized. For example, the difference between Yugoslavia and Albania or Poland and North Korea may be sufficiently great to make it seem prima facie unwise to put them into a single class for analytical purposes[1].

Is the North Korean system totalitarian? Is the standard totalitarian model sufficient to explain the North Korean system? Every state has its own peculiarities, and North Korea is no exception. Although the North Korean economy exhibits other characteristics as well, we will demonstrate that the system is basically totalitarian.

North Korea has suffered from low economic growth since the 1960s. It achieved outstanding development during the 1950s and the early part of the 1970's

If, as Perlmutter argues communist authoritarianism, is an archetypal political system dedicated to economic and technocratic modernization[2]. Why, then, has such economic retardation occurred in North Korea? To explain the economic trends, the successful growth of the early stages and the ensuing low growth period of the communist totalitarian countries, Lindblom argues that there were characteristic difficulties in those countries that are based on imperfections of hierarchy-bureaucracy.[3] According to Lindblom, development has been achieved through a rapid shift of labour from agriculture to industry and an extraordinary mobilization of capital through forced savings to create new industries. Using these methods, the Soviet Union achieved in thirty years what the United States, Japan, and other Western nations took fifty to sixty years to achieve.[4] The contemporary Soviet problem is that these methods have been played out, and further largescale shifts of manpower or mobilization of capital is not possible. Technological backwardness is another consequence of the hierarchic system which exacerbates the problem of growth in communist countries.

The main purpose of this thesis is to analyze how the ideology of a totalitarian state influences the economic factors - capital, labour, resources, technical progress and trade - critical to development, to observe the causes of North Korea's economic fluctutations and to explore the interaction of politics and economics in North Korea. North Korea serves as an example of a contemporary totalitarian state. North Korea explicitly demonstrates the six syndromes of totalitarian regimes proposed by Fredrich and Brezezinski.

The Sino-Soviet Dispute and the North-South division have allowed Kim Il-Sung to pursue a totalitarian strategy of economic growth on a relatively small scale. North Korea has developed its economy by mobilizing domestic capital and labour in accordance by introducing foreign savings and importing machinery and technology. In spite of outstanding success in building the first stage of comprehensive industrialization, the extensive growth strategy associated with the Juche Idea tends to hinder the move from extensive to intensive growth. The economic policies based on the Juche Idea do not favor the continuous accumulation of capital, increasing the quality of labour, and prompt industrial adjustment. North Korea's economy needs a supply of capital and new technologies from abroad to move from extensive growth to the stage of intensive growth. However the entire strategy of economic growth has been based on a type of intensive ideological mobilization which can only be maintained in a closed system. Hence, the Juche Idea has become an obstacle to development.

There is a vicious circle between the Juche Idea and economic recession in North Korea. This political economic feature is unique to North Korea. To break out of this vicious circle should be an important goal of the North Korean regime, if true economic development is to occur.

The main body of this thesis consists of five parts. The first will analyze the totalitarian model. The second and the third will focus on the case study of North Korean totalitarian model including the Juche Idea and the economic model. The fourth will demonstrate how the Juche Idea influences economic development and the cause of economic stagnation in North Korea. The last will explore the attributes of North Korea's economic fluctuations and the interaction of the Juche Idea and economic stagnation.

II. TOTALITARIANISM

1. TOTALITARIANISM

The idea of totalitarianism was popularized by two books which appeared soon after World War II: Hannah Arendt's The Origins of Totalitarianism (1951) and, Carl Friedrich's and Zbigniew Brzezinski's Totalitarian Dictatorship and Autocracy (1957). Both drew attention to the correspondence between Nazi Germany and the Soviet Union, Arendt stating that they were two "essentially identical" systems, Friedrich and Brzezinski that they were "basically alike."[1]

From the 1950s to the 1960s the totalitarian school formed an orthodox stream in the study of communism, and played an important role in the development of political science. However, in recent years, the idea of totalitarianism has provoked impassioned debate, and has been criticised and denounced by many students on the grounds that it is misleading, or at best out of date, and that it is a politically loaded term used with improper motives.

In his new book, Rethinking the Soviet Experience, Stephen F. Cohen asserted that the totalitarian school was so intimately related to American political life from the outset, and was created as a large academic profession during the worst years of the cold war.[2] That totalitarianism is a 'cold war' term is propounded by Herbert J. Spiro, who argues that the term has been used, in the United States especially, in order to fashion an ideology for the 'free world,' and 'to marshal popular commitment to the new ideology.'[3] Furthermore, many students of this school came to Soviet studies because of wartime government experience with a primary interests in "national security problems" instead of an intellectual passion for Russian civilization.[4]

In addition to suspicious motives and the influence of American politics, the totalitarian model has subsequently come under criticism for at least two kinds of shortcomings.[5] It has been argued, in the first place, that many of Friedrich and Brzezinski's six points apply not only to the communist countries but to many others as well, particularly in the developing countries. Central control and direction of the economy, for instance, is a common feature of many third world states, few of which could readily be classified as totalitarian, and so also is a single-party system, although this does not necessarily mean that no legal opposition is permitted.

A further and more general objection has been made to the totalitarian model, that it is static or in other words that it fails to allow sufficiently for the possibility of political development and change. This shortcoming has been regarded as particularly important by those who have attempted to develop an alternative model of the political system, one that emphasises the impact of socio-economic change upon the polity both in the communist states and elsewhere.

As a result, according to Cohen, academic Sovietology of the totalitarian school became mostly regime studies, lacked political sociology, and became seriously misleading, on all accounts. The totalitarian approach found only historical limits and no present or future potentialities. It failed not only to anticipate the rise or fall of Nikita Khrushchev or various policy changes, but to imagine many other major developments of the post-Stalin decades.[6]

The origin of the new wave of "revisionism" was Kremlinology, which had flourished during the post-Stalin succession struggles of the 1950s. It was a legitimate and often fruitful analysis of hidden struggles inside the Soviet leadership.[7] The consensus in Soviet studies based on the totalitarian model gave way by the 1970s to diverse scholary approaches and interpretations.

Lowenthal, for example, believes that the Soviet Union and other communist regimes have definitely moved beyond totalitarianism, toward a stage he calls "authoritarian bureaucratic oligarchy" or "post-totalitarian authoritarianism."[8] According to him, the powers of political leaders in those countries are not markedly greater than that of a western prime minister over the members of his cabinet, and the revolution from above has run out of steam. Pierre Hassner, like Lowenthal, demonstrates that far-reaching changes have taken place in Soviet bloc, but they have not gone beyond the point of no return. The new regime is not authoritarian in the totalitarian sense, but rather represents a form of totalitarianism in decline.[9]

Cohen, however, has observed with regret that the revisionist mission did not succeed in putting an end to the totalitarianism thesis, but 'put an end to orthodoxy in Soviet studies.'[10] Laqueur has countered that most proponents of the various revisionist models (which he calls pluralistic models), have been driven less by scholarly consideration than by a desire to prove that the Soviet Union is neither as evil nor as dangerous as the totalitarian model suggests; others have been intent on finding a rationale for supporting Marxist revolutions in the Third World.[11]. He assesses the Soviet regime is still totalitarian and the changes that have taken place in a totalitarian direction are not reversible, not even in the short run.

The late Leonard Schapiro also held that none of revisionist arguments is sufficient to render the term "totalitarianism" obsolete. The conclusion of his book "Totalitarianism" seems to be an attack, from the totalitarian school, on the arguments that the totalitarainist model is static and fails to assume the possibility of development and change of Stalinist Russia. Schapiro says that "totalitarianism" is not fixed and immutable: it can change and evolve, as well as end in collapse and be overthrown. Totalitarianism is not a final and unchangeable model of government, but more like the arrangment of colours in a spectrum, with varying degrees of intensity and totality.[12]

The term 'totalitarianism,' in fact, has been widely used for a very large number of societies of different structure and charactar since the Second World War. This fact, as we observed above, has raised vigorous scholarly debates on the value of this term. Schapiro enumerates one group of countries which represents little problem: this consists of those whose political regimes were modeled closely on that of the Soviet Union under Stalin to such an extent as to share their essential features.[13] In this group fall the Soviet-dominated countries of Eastern and Central Europe up to about 1956; China after the communist victory of 1949; Cuba since 1959. Linz adds Communist Vietnam since 1972.[14]

However, both Schapiro and Linz overlook an archetypal totalitarian regime, North Korea under Kim Il-Sung, which consists of political economic features adopted from the Soviet Union under Stalin, since 1948 to the present. We will show that the totalitarian model is not an out-of-date, and is in fact, the most appropriate model for the North Korean political economy. We will also show that the specific form of North Korean totalitarianism is the Juche Idea. In North Korea the Juche Idea has had important consequences on North Korean economic development, and in particular has been the major cause of economic stagnation in the last decade.

Totalitarianism is generally known as the form of government that theoretically permits no individual freedom and that seeks to subordinate all aspects of the individual's life to the authority of the government.[15] Italian dictator Benito Mussolini coined the term 'totalitario' in the early 1920's to describe the new Fascist state of Italy, which he further described as: "All within the state, none outside the state, none against the state."[16] In a broad sense, totalitarianism is characterized by strong central rule that attempts to control and direct all aspects of individual life through coercion and repression.

In his comparative study "Totalitarian and Authoritarian Regimes," Juan Linz proposes that an authoritarian system is totalitarian if it has the following attributes:

a. a monistic but not monolithic center of power
b. an exclusive, autonomous, and more or less intellectually elaborate ideology that serves to legitimize the leader's power

c. citizen participation and active mobilization for political and collective social tasks.[17]

It was Friedrich and Brzezinski who wrote the most influential work in the academic community to analyze the baffling features which characterize totalitarian regimes. Whatever objections may be leveled at the 'syndrome' of Freidrich and Brzezinski, as Schapiro says, it still dominates nearly every discussion of the question of totalitarianism. Friedrich and Brzezinski say that totalitarian dictatorships all possess the following syndromes: an official ideology, a single mass party led typically by a charismatic leader; party control of the economy, mass communication, a means of effective armed combat, and a system of terroristic police control (18).

Friedrich adds two qualifications in an essay published in 1969 to what he had written in 1956.[19] Monopoly of control is now extended by him so as to embrace not only mass communications and weapons but all 'organizations including economic ones.' According to Schapiro, this addition was important, since one of the most characteristic features of communist rule in practice is the way in which no seemingly independent institution or organization is allowed to exist unless the ruling elite can maintain some kind of control over it. And secondly, he stresses that monopoly control is not necessarily exercised by the party. The important point is that such a monopolistic control is in the hands of whatever elite rules the particular society and thereby constitutes its regime. However, basically Friedrich's standpoint remaines unaltered, and in effect restates the 'six-point syndrome.'

On the other hand, Tucker emphasizes the psychology of totalitarian leader as a pivotal mark in understanding of totalitarianism.[20] Schapiro observes the existence of leader as the most important feature of totalitarianism.[21]

In this thesis, we will adopt the 'six-point syndrome' of Friedrich and Brzezinski and the charismatic leader as the basic model of totalitarianism.

2. TOTALITARIANISM AND IDEOLOGY

Ideology is one of the most disputed terms in the language of politics. In its origins it meant the science of ideas. As used nowadays it frequently denotes a system of beliefs which relates to fundamental political aims and a system which is designed, consciously or unconsciously, to influence and direct the course of action of those who are within its sphere of influence.[22]

The roots of totalitarian ideologies are actually interwined with the totality of Western thought and more especially its political thought. According to Friedrich and Brzezinski, totalitarian ideology involves a high degree of convictional certainty. Totalitarian ideology consists of an official doctrine which radically rejects the pre-existing society in terms of a chiliastic proposal for a new one. As such it contains strongly utopian elements, some kind of notion of a paradise on earth. This utopian and chiliastic outlook of totalitarian ideologies gives them a pseudoreligious quality. The ideology of a totalitarian state identifies the living person of the dictator with the symbol of the regime and creates the negative one of the stereotyped image of the enemy.

Totalitarianism, both communism and fascism, are "success philosophies," built upon the confident assumption that history is on their side, so ideological factors are weapons in the struggle for men's minds.[23] In the past, the role of ideology in strengthening the polity had always been played by religion and tradition, and by the symbols and myths in which religion and tradition were embodied. In modern totalitarian societies, the leaders must carefully create and control the ideological weapons useful to their political existence; ideological adaptations and corruptions are ultimately tested by the role they play in the propaganda and education of totalitarian societies.

All political systems to some extent possess an official ideology. The difference is a matter of degree. Marxism and Leninism are official ideologies of Stalinist Russia, the lone repository of permissible political thought in the orthodox Soviet belief system.[24] The official ideology of a totalitarian society is also an "imposed" ideology, which is impressed upon the citizenry with thoroughness. A great many citizens appear to accept the official ideology as the basis for their political judgements; but for the post-Stalin period in the Soviet Union and other communist countries, it is clear that a considerable number do not. Yet, confined to totalitarian societies, ideological indoctrination has comparatively more considerable influence than other societies, and it almost completely blankets out competing ideologies.[25]

Political ideology makes political control easier for the totalitarian leader. In the Soviet Union, since the 'Communist Party is above criticism,' it is subject to no challenges in running the country. The 'socialist economic system' means that there will be no powerful economic aggregations competing with the state. 'Collectivism,' controlled by the state, facilitates the propagation of "correct" political ideas to the populace, and 'antagonism toward other social systems' justifies the exclusion of "harmful" and "alien" ideas from outside. Finally, 'atheism' serves to discourage people from the attraction of competing faiths or loyalties within the country. Obviously, political control is one of the major functions of the ideology.[26]

Alfred Meyer, in an article written in 1965, observed the part political ideology takes in the Soviet political system.[27] Even though he does not confine his arguments to Stalinist Russia, his view seems a useful basis for understanding the functions of totalitarian ideology. Meyer begins with "the exceedingly trite observation" that ideology is the "language of politics" in the USSR. This statement connotes, first, that the ideology serves as the frame of reference for all individuals in the society. It is their set of concepts for perceiving the world and its problems, and defining their role in the world.

Ideology, as a systematic set of ideas, provides the basic elements of a communications system. A communications system requires common categories of thought and a common language. Once a communications system develops categories and language, it becomes closed, because outsiders cannot understand the communications.[28] Every political system has such a code, which to the outsider sounds esoteric, whereas the insider speaks it with ease. In totalitarian society, it is conceivable that esoteric code and downward communications are more developed than in other societies. Ideological pronouncements in totalitarian system are probably the most important method by which the leader informs its subleaders and members of his ideas.

In addition to being the language of politics, ideology functions as a legitimizing device. It is to convince the citizenry that the party and its leaders have a legitimate claim to rule them. Meyer suggests that one of the essential processes of political system building is the primitive accumulation of legitimacy. The typical methods for the primitive accumulation of legitimacy are a combination of terror and indoctrination, or indoctrination backed by terror.[29] This phenomenon culminated during the Stalinist regime, since 'the task Stalin tackled was the fashioning of a new political system.' Meyer defines a revolution as two or three distinct processes which often are lumped together. One is the destruction of the old order or the old political system; another is the creation of a new one; and a third is the inevitable period of chaos that comes in between the two. Yet there is a break between the destruction and the constructive phases. Stalinism, the revolution from above, was a revolutionary phenomenon in essence, and was an integral phase of the Russian revolutionary process as a whole. Otherwise expressing it, NEP society was an interval of relative quiescence (the inevitable period of chaos in the language of Meyer) between phases of the Russian revolutionary process: the destructive phase that occurred in 1917-21, and the Stalinist phase in 1929-39.[30]

Meyer formulates a law: The intensity of indoctrination and the rigidity of official dogma are inversely proportional to the credibility of the doctrine.[31] According to him, the compulsive and dogmatic form of indoctrination under the Stalinist totalitarianism is related not only to the need for accumulating legitimacy, but also to the difficulty of this task. The Soviet citizens supposed that the revolution would bring forth the best of all possible worlds, which turned out to be difficult. Hence the ideology became implausible. The effect of this was not only increased rigidity, but the further intensification of the indoctrination effort. Stalin took the responsibility of developing a new system, and under him the intensity of indoctrination and the rigidity of official dogma were maximized.

Political ideology is not only communication with 'others.' It is also a monologue in which the leaders compulsively engage. Meyer thinks we are mistaken if we conceive of Soviet ideological output as aimed primarily at various publics, be it ourselves or the Soviet citizenry. He has the feeling that Soviet leaders are not talking, to us or to the 'masses,' but are talking to each other, much more important, primarily to themselves. He refers to this mass monologue as a process of self-legitimization, a continual attempt on the part of the rulers to convince themselves of their legitimacy.[32]

We can infer, on the behalf of Meyer's article, why the compulsion to engage in ideology is particularly strong in the Stalinist Russia, for the following reasons. First of all, the Stalinist regime was comparatively new. The revolution by which it established itself occurred within the memory of living people. The regime, moreover, was highly unpopular for years. In addition, within the elite, there was a sharp competitive race. All these factors created a feeling of intense insecurity, which had to be allayed by repeated reassurance and self-legitimization.

Finally, Schurmann, in his analysis of the Chinese communist ideology, in terms of organization, he demonstrated the role of ideology in totalitarian countries. He classified ideology into pure and practical ideology.[33] Pure ideology is a set of ideas designed to give the individual a unified and conscious world world view whereas practical ideology is a set of ideas designed to give the individual a rational instrument for action. In other words, leaders of an organization may propound an idea, for example a policy, which they expect their followers to implement. However, these same leaders may propound an idea which aims mainly at shaping the thinking of the people, rather than producing immediate action. The latter type of idea is regarded as "pure." According to Schurmann, since pure and practical ideology together constitute the ideology of organization, they should be tools for the creation and use of organization. They serve to motivate individuals to give full commitment to the organization. They also give individuals a set of rational ideas with which to carry out the actions demanded by the organization.[34]

3. TOTALITARIANISM AND ECONOMY

This section is composed of two parts. The first part explores overall features of totalitarian economy, and in the second part discusses the Stalinist model to help us understand totalitarianism in detail.

The centrally directed economy of totalitarian regimes calls for an increasing number of public officials to attend to the various functions such economies need. But, in addition to the appointment of all the actual public officials, there takes place a bureaucratization of large segments of organizational activity beyond the formal governmental system.[35] What we find, under totalitarian dictatorships, is a marked deviation and a retrogression. Centralization of control and supervision yields to a conflict between party and governmental bureaucracy. Centralization is superseded by local satraps, and party loyalty replaces professional qualifications for office.[36]

The gap between actual governmental officials and other organizations, especially the party, is not one of formal prerequisites, such as pension rights and status, but rather of actual political functions. Friedrich and

Brzezinski have succinctly stated that what is distinctive in totalitarian dictatorship is the sharp dualism of governmental and party bureaucracy. Hence, the expansion of bureaucracy creates serious problems of bureaucratic conflict, with cadres fighting among themselves for supremacy thereby de-bureaucratising the governmental service in those countries where this service has already achieved a high degree of bureaucratization. Extension in size is bought at the price of a deterioration in quality. What all this implies for economic life of the country is the feature to which we next turn.[37]

According to Friedrich and Brzezinski, totalitarian dictatorships develop a centrally directed and controlled economy. In order to execute central direction and control, totalitarian leaders develop a plan. Since the economy has become one gigantic business enterprise, and yet an enterprise that does not get its incentives from the desire to make a profit nor from the consumers' needs and demands as expressed in the price system, its managers must be told what measuring rods to apply in determining what should be produced, and consequently how the scarce resources available for production should be distributed between the various branches of production. The decisions involved in arriving at a plan are the most basic decisions which a totalitarian regime has to make. Hence the Five Year Plans of the Soviet Union, the Four Year Plan of Hitler Germany, and the Two and Five Year Plans of the Soviet zone are focal points of political interests.

In a totalitarian dictatorship, the end or purpose of the plan is determined by the autocratic leader or ruler(s), e.g., Stalin and Hitler, and implements their basic decision. This basic decision was, in case of the Soviet Union, that of industrializing the country; in the case of Nazi Germany, that of preparing immediately for a war of aggression; in the case of China, again industrialization, but combined with land reform.

It is carried forward by a bureaucracy which has the full backing of terrorist and propagandist apparatus of totalitarian dictatorship. Totalitarian planning is formulated on the basis of ideologically determined goals; that their scope is total; and that effective time limits are absent, the usual four- or five-year periods being mere accounting devices. Totalitarian planning is a necessary concomitant of the total revolution that regimes set in motion and it is the political quality that sets it apart from democratic economic planning.[38]

Within the context of a total bureaucracy and of total plans, "the battle for production" and industrial expansion appear as decisive features of the totalitarian economy. If the plans call for conquest and war, the pre-existing system of production for peacetime consumption must be revamped to provide the essential transformation. If the plans call for industrialization, controls must be set up and maintained for forcing a substantial part of the social product into capital goods, even when the standard of living and level of consumption of the people are quite low.

Indeed, industrial expansion has been the unique quality of the communist totalitarianism, sprouted as they have done in backward areas, to stress rapid industrialization as the vital economic and political objective of their regimes.[39]

The factory itself is run by the state-appointed director. The director is responsible to the head of the level directly above him. The various shop heads and foremen are subordinated in turn to the factory director, and the factory director is fully responsible for his factory. The failure to achieve quotas, or technical inefficiency, can have unpleasant consequences for a director, who is held responsible. The director, however, is not only driven by fear. Productive success has very tangible attractions for him, as he is given a sizable share in the profits that follow from an overfulfillment of quotas. In his efforts to maximize production the factory director is assisted by the factory party organization, by the secret police section, and by the local trade union.[40].

Modern totalitarian regimes recognize the vitality of industrial process, and consider it the key to political success, domestic or external. As a result they have made the "battle for production" a central theme of their action programs, they have penetrated and subordinated the industrial machine to the requirements of the regime.[41]

Labour has been told and is still being told that socialism based upon the dictatorship of the proletariat means the liberation of labour from capitalist oppression and exploitation. What labour finds, however, under communist totalitarianism, is that all-powerful state weakens the organizations of labour and unions, and tranforms them into adjuncts of the governmental bureaucracy.[42]

Beyond this general subjugation of labor in the totalitarian system, there exists the outright slavery of labor camps. They are composed of all kinds of people whom the regime for one reason or another does not like, including so-called "slackers." These labor camps provide workers for projects which are run so uneconomically that even the national minimum wages are not available for them.[43]

In totalitarian countries, labour loses its freedom and independence, and its organizations become bureaucratic agencies of the government. The worker becomes a 'cog' in the totalitarian centrally directed economy not only his working hours but in his leisure time. To complete the paradox of his "workers' paradise," any worker who fails to live up to the standards set up by the regime is in danger of being made a "slave" in one of the many labor camps of the regime.

Agricultural production has been as central a concern of the totalitarians as industrial production. However, the agricultural sector of the totalitarian economy presents peculiar difficulties to the rulers of these regimes. The nature of agricultural production is such that it is unsuited to the large-scale organization and control, but, at the same time its product is vital. The drive for additional land presents itself as a way out of the difficulties involved in making the available land more productive. In totalitarian regimes, the peasantry and the natural requirements of agricultural production seem to present a major obstacle to totalitarian rule.

We have observed general economic marks of totalitarianism, centered around communist totaltarian countries. In the following part, we will explore these economic features more specifically through the Soviet economy under Stalin.

Even the most concise characteristics of the economic side of Stalinism must evidently comprise three elements: 1) strict centralization of the system of functioning of the economy; 2) an industrialization drive at the fastest attainable pace, with absolute priority for heavy industry and relentless mobilization of material and human resources for this purpose, regardless of the level sacrifice of consumer interests; 3) the collectivization of agriculture in a relatively short time, both for doctrinaire reasons as well as for the interconnections with rapid industrialization.[44]

The big impetus to centralized state planning came with the political decision to launch a large-scale industrialization and agricultural collectivization program. The inauguration of the First Five Year Plan, according to Friedrich and Brzezinski, can be described as the beginning of the real totalitarian revolution in Russia.[45] The era of the Five Year Plans began in 1928.

The plan in a Stalinist Soviet-type country has two essential components: it transmits information on the basis of which economic action is to take place; and it has behind it force to exact compliance. Functionally, the force component makes up for the imperfection of the information component. This means that a system of central planning needs an organizational structure that permits maximal and optional flows of information upward and downward; and effective channels of command.[46] Thus, as the Soviet economy moves into the Stalinist period, Gosplan appears as a core and highly-ranked organization of the economic network, and the planning apparatus of it expanded accordingly. The plans that Gosplan prepared include not only the over-all Five Year Plan, but also economic plans for all levels of Soviet plant in Siberia. Gosplan, in addition to planning, is concerned with the problem of allocating resources.

Supervision of the execution of the plan is also an important aspect of Gosplan work. This supervision essentially involved the twin tasks of detection of failures and evasions, and check-up on the general development of the plan and analysis of the portents.[47] The orders and regulations of Gosplan had the "force of law." Failure to obey these orders constitutes an "economic crime" punished by such very high penalties as long prison sentences and political purges.[48]

In addition, planning officials are to be found on subordinate levels, from the republics down to the regions, and even districts and towns.[49] At the levels of factory management, the state-appointed director becomes fully responsible for his factory. And the party organization holds regular meetings at which production levels are discussed. It encourages self-critique on the part of the workers and administration, watches the political morale of the personnel, and finally supervises the director himself. The police section makes certain that sabotage is prevented, that disloyal elements are ferreted out and that enemies of the people are exposed. It organizes regular networks of informations both among the workers and the managerial staffs.[50] And trade unions turn into dependents of the state, and are transformed into a bureaucratic institution for dealing with labor problems. The trade union is a reservior of state power, a school of communism, a school of management.

The greatest stress was to be placed on the development of heavy industry, including munitions, in order to free the USSR from dependence upon the capitalist powers.

This policy was based on Marx's expansive reproduction hypothesis that industrial sector for production should develop faster than the sector for consumer goods in order to increase production continually. Marx divided economy into Department I for producer goods and Department II for consumer goods, and explained the basic principle that national economy develops through reciprocal exchange between these two sectors.[51] More specifically, the rate of economic growth is shown to be a function of relative sizes of capital-goods-producing "Department I" and consumer-goods-producing "Department II" or to put the same thing some differently, of the excess of the output of "Deparment I" over the replacement needs of the economy as a whole.[52]

In order to sustain high growth rate and heavy-industry-oriented pattern of development requires a high rate of investment. Saving was institutionalized to attain this objective, and this was one of the prime purposes of institutional transformation in the economy, most particularly nationalization and socialization.[53] In these terms, one of the purposes of collectivization is to facilitate the imposition of a high rate of involuntary saving on agriculture, either through increasing taxes and/or through manipulating price relations between agricultural and non-agricultural goods.

These price manipulations enable the state trading companies to earn large monopoly profits, which are then paid into the government budget and become a source for financing investment and other government expenditures. At the same time, nationalization of the non-agricultural sectors provides a means through which all net earnings of government enterprises are automatically placed at the disposal of the government and become sources of budgetary revenue. In this way, institutionalized means are provided to assure a high rate of saving both out of agriculture and out of the non-farm sectors of economy. There is a further consideration which motivated Stalin to push for institutional transformation in agriculture. Erlich argues that the collectivization, for Stalin, was secure the state's grip on agricultural supplies, and to reduce the peasants' share in the economy as rapidly as possible.[54] It was also hoped that agricultural reorganization, collectivization, and various forms of producer cooperation would not only assure a greater degree of state control over farm income and farm produce but that it would also provide a prime means for increasing agricultural output.

Whatever the driving motives are, collectivization is an essential component of the Stalinist economic model. Stalin argued that large-scale socialist industry could never rest securely on a system of scattered holdings worked by primitive agricultural methods. He, therefore, called for the abolition of small farms and their replacement by a system of collective and state farms (kolkhozy and sovkhozy) directed, for the most part, by the state. Stalin called upon the party to "liquidate the kulaks as a class" (December 27, 1929), and the Central Committee resolved that an "enormous majority" of the peasant households should be collectivized by 1933. Harsh measures were inflicted upon all peasants who resisted collectivization. By March 1930 over one-half of the peasantry had been forced to join collective farms. Even though peasants objected violently to abandoning their private farms, the government had collectivised all the peasantry by 1936.[55]

The launching of the centralized Plan, despite certain failures, fired to a great extent the imagination of the more youthful members of the party and raised the sagging morale of the whole party. Its initial results, therefore, were important politically.[56] Soviet industrial expansion gave a semblance of truth to the Marxist prophecy that a communist society arose out of the proletariat. It also destroyed existing traditional bonds, created a situation of great social flux, and resulted in population shifts and weakening of national lines.[57]

It seems persuasive that the Stalinist economic model achieved rapid industrial growth. It is also true, however, the results of the Five Year Plans in the industrial sector were highly uneven and unclear.[58] The situation of agriculture was not nearly as bright, and remained quite gloomy during the centralized planning stage.

In every one of the Soviet economic plans, heavy industry and military production were given the highest priority. Despite repeated promises to improve living standards, the output of consumer goods fell far short of needs, continuing the imbalance between heavy and light industries. Although the Soviet Union unquestionably made rapid advances in its technological and industrial development, the rate of progress was uneven, varying from industry to industry and from one plan to the next. Agriculture developed far more slowly than industry. Unbalanced growth constituded a regular feature of the Stalinist economic model.

Principles of Soviet economic planning have also been imposed on the captive nations on Eastern Europe. The satellite communist parties did not go through the preliminary stage of political conflict, but as soon as the consolidation of power was completed, they proceeded to launch economic planning on the Soviet model.[59] Chinese policy makers and planners also have pursued a

Stalinist strategy during the First Five Year Plan period, 1953-1957.

Taken as a whole, the Stalinist economic system constitutes a model for directed industrialization from above. In this system, the economic requirments of industrialization are integrated into the totalitarian system of single party domination. It is not surprising that together with some features of the mass line copied from China, this model was copied wholesale by the North Korean communist regime under Kim Il-Sung.

III. CHOICE OF MODEL

1. TOTALITARIANISM AND KOREAN CULTURE

Many questions have been raised about how Kim Il-Sung could build his totalitarian dictatorship in North Korea during such a short period (1945-1948). We can observe two basic factors that helped Kim to impose a Stalinist totalitarian dictatorship.

Harold D. Lasswell suggests eight assets upon which power is often based. His principles include physical characteristics (wellbeing), wealth, knowledge, proficient skill, social position (respect), affection, uprightness (a reputation for rectitude), and the last but least, "luck."[1] In his language, in numerable instances the possibility of using a base value in the climb toward power is depended upon "luck."

In an early stage of the North Korean regime, Kim Il-Sung had no "bases of power" except his political skill and "luck." First of all, he had a favorable environment to totalitarianism, that is, authoritarian and hierarchical political culture inherited from the Korean tradition and Japanese colonial imperialism. Furthermore, Kim was chosen by the Soviet Army as a "loyal partner of the Soviet Union." These two factors were not "attained by him," but were "given to him."

Confucianism in the Chosun dynasty (1392-1910) and centralized political system of colonialism (1910-1945) brought about rigid conservative ideological bias that emphasized the principle of hierarchy in human relations. Henderson suggests that the imposition of a continuous high degree of centralism on a homogenous society has resulted in a vortex, powerful, and up-ward sucking force active throughout the culture in North Korea.[2]

In addition, we can imagine that under Japanese colonial rule many Koreans tasted the ruthlessness of totalitarianism and police rule, so that it was an easy matter for older Koreans to emulate the Japanese method of political control. Korea not only became a police state under Japanese rule; it also turned into a forward base of Japanese militarists in their expansion into China. Under the circumstances of wartime mobilization, state institutions were strengthened at the expense of traditional institutions and the culture of Korean society. The industrialization of Korea under Japanese colonial rule inspired North Korea to emulate the Japanese method of mobilizing and utilizing human power and limited resources in the most efficient and effective manner.[3]

The existence of the two contrastive Korean political cultures - the "hierarchical and familistic" orientation of Confucianism, and the "outward and collective" orientation of the Japanese colonialism - provided cultural advantages for Kim Il-Sung to build his hermit totalitarian regime. Thomas H. Kang demonstrates how these two contrastive orientations operate in the North Korean totalitarian rule. The following discussion is draws extensively on his insightful analysis of the political culture of North Korea.[4]

The power of the Chosun dynasty was overwhelmingly dependent on Chinese authority and its concomitant ideology of Chu-Hsi Confucianism (neoconfucianism). In the _jen_-oriented culture adopted by Korea, the government ordained filial piety as the highest social value. In order for the people to achieve this goal, they were encouraged to study Chu-Hsi Confucianism, pass the civil service examination, and become government officials. Thus, every man of ability was motivated and inspired by the same social values to embrace the same role expectations based on the five Confucian relationships in order to glorify his parents and his family.

The acute competition for social status through the civil service examinations strongly contributed to the development of the patterned uniform personality. This competition among individuals, among different kin-name families, and among different groups destroyed the 'outward and collective' relationships outside the family by engendering feelings of jealousy, hatred, ostentation, superiority, secrecy, and distrust among the people, leaving only the 'inward and familialistic' relationships of the family to become more intensified.

This patterned uniform personality, however, began to disintegrate with the coming of the foreign powers and their ideologies at the end of the Chosun dynasty. Especially under Japanese rule, young Koreans became reoriented to Japanese values and were conditioned to behave in accordance with the monolithic Japanese system of role-expectations. Thus, these young people came to possess a split personality characterized by Korean 'inward and familialistic' relationships, on the one hand and Japanese 'outward and nationalistic' orientations, on the other.

Those young people born between 1910 and 1925 and who reached the ages of twenty to thirty-five in 1945, may be assumed to suffer from this split personality under Japanese pressure. However, their split personality became integrated into the communist personality through the transfer of their loyalty from Japan to Kim Il-Sung. This is the generation which ruled North Korea from the 1950's until the 1970's. The generation born after 1945 which reached the age of twenty to twenty-five in 1970, learned to speak Kim Il-Sung's name before they learned to call their parents. The old family structure having been disrupted by terror and compulsory labour for women, this later generation was left to be socialized in the public nurseries and official organizations outside the family. All who lost their families turned to the 'outward and collective' orientations.

The familism of the old Korean society has been transformed into the nationalism of North Korea; striving for the social status for the family, refashioned into efforts for achievement for the nation.

This change is clear-cut, but not revolutionary, because it occurred within the Confucian framework and the Oriental obedient attitude to a certain object. The father-son relationship and the brother-brother relationship in the family system were merely changed into the relationship of the fatherly ruler and filial subjects in the state, and into the relationship of brotherly comradeship in society. This cultural continuency provides a cultural basis for Kim Il-Sung to preserve a one-man regime.

2. SOVIET OCCUPATION AND POLITICAL DEVELOPMENT

The history of East European countries from the end of World War II until full-fledged Stalinization (1949-1950) comprises five to six years. Brzezinski suggests the two division of this history, i.e., "The Peoples' Democracy - Institutional and Ideological Diversity: 1945-1947," and "Stalinism - Institutional and Ideological Uniformity: 1947-1953.[5] On the other hand, Brus demonstrates an alternative way of looking at the problem, which divides the development of peoples' democracies until Stalinization into three stages: "the first - until the fundamental question of state power was finally decided, i.e., the communist regimes firmly established; the second - the transition to construction of socialism, without autonomous adoption of the features considered as the main marks of Stalinism; the third stage - Stalinism."[6]

For North Korea, the history of totalitarian dictatorship, since 1945, has been divided into four broad eras: (1) the period of national liberation and "a united front " (1945-1946), (2) the period of totalitarian adoption and transformation of North Korean society (1946-1958), (3) the period of consolidation of totalitarian dictatorship (1958-1970), and (4) the period of monolithic unitary system and political succession (1970 -).

A UNITED FRONT

The early history of North Korea demonstrates that Stalinism was begun after the collapse of 'a united front' constituted by Korean nationalists and communists. That is, the first stage of state-building can be described as lasting up to 1946 - the year when all nationalists were purged from public positions, and Kim Il-Sung established his own power.

In 1945-1946, the Red Army and Kim Il-Sung took a policy position of building 'a united front' of representatives from divergent political and social groups, such as the indigenous domestic forces and those returning from the Soviet Union and China who had fought against the Japanese forces.[7] The prominent domestic forces were nationalist group led by Cho Man-Sik and domestic communists.

Soviet troops entered Korea on August 9, 1945, and by August 22 they were able to capture the port city of Wonsan, 150 miles north of Seoul. By the time the American forces landed in South Korea on September 8, Soviet troops had already engulfed the whole of North Korea. In North Korea, in contrast with the Americans in South Korea, Russians pursued a seemingly flexible and realistic policy, allowing Koreans semblance of autonomy which their counterparts in the American zone were denied.[8]

The nationalist and communist leaders in North Korea formed the Five Provinces Administrative Bureau on October 19, 1945, and received the recognition of the Soviet Command as the government in the Soviet zone. During the initial period of Soviet Occupation, the Christian group of nationalists, headed by Cho Man-Sik, exerted enormous influence in North Korea. It was so not only because of Cho's own prestige as a nationalist leader, but also because there was no strong communist group in North Korea since the communist group to be come known as the Yenan faction had not yet returned from China; the main body of the domestic communists was located in South Korea; and the Soviet or Partisan faction which entered North Korea with Soviet troops was small in size and had no basis of power in North Korea. However, the appearance of Kim Il-Sung and political controversy on the trusteeship that developed in connection with the Moscow Agreement of the U.S., U.S.S.R., and Great Britain regarding Korea changed the political situation in North Korea drastically.

This policy line of 'forging a unity out of diversity' was a sucess initially, but as time progressed, the "new" communist group led by Kim Il-Sung proved to be superior.[9]

Kim Il-Sung carefully took advantage of the growing disagreement between the Soviet Command and Cho regarding internal programs. The fact that Kim served in the Russian army under General T.F. Shtykov, Commander of the 28th Military Group which occupied North Korea, and Cho's uncompromising disapproval of the Moscow Agreement of December 27, 1945, were the two most significant factors which helped Kim to emerge as the new leader of North Korea. The dismissal of Cho as head of the Five Provinces Administrative Bureau provided an avenue to Kim Il-Sung to rise to power, supported by the Russians, as it brought about temporary unity among various elements of the communists. On August 29, 1946, the North Korean Workers' Party (NKWP) emerged as a united political body in North Korea, and Kim Doo-Bong, the leader of the Yenan faction, was appointed as the chairman of it. However, as vice-chairman of the party, Kim Il-Sung demonstrated his political skills, applying both legal and illegal means in order to consolidate his position and establish an unchallenged control with the assistance given by the Russians. In this process, not only were his enemies within the party destroyed, but his former comrades became his victims.

The first impact of the Soviet occupation was the partition of Korea and its consolidation. The fate of the

Korean people was mainly decided by external forces in 1945 - by US-Soviet partition and military occupation of Korea; subsequent political development in Korea was also influenced by outside decisions. The seperate regimes, once established, were impossible to dislodge or disband because of the vested interests that had become entrenched.[10]

As Kim consolidated his position, the totalitarian economic model was imported as the price of Soviet assistance, and significantly tangible changes occurred in the economy. On March, 1946, North Korea's Provisional People's Committee proclaimed the Land Reform Act. The nationalization of industry proclaimed on October, 1946, by the Provisional Peoples' Committee was the second reform measure. These and other reform measures were followed by a series of economic plans - One Year Plans for 1947 and 1948, and Two Year Plan for 1949-1950 - that laid the basis for developing an industrialized economy. In North Korea, there was no sign of reluctance to implement the socialist strategy in a Stalinist way, which existed quite widely in Eastern Europe, but rather acceptance and implementation of it.[11]

Lastly, Kim's dependence on Soviet occupation determined from the outset the weakness of Kim's legitimacy both inside the communist leadership and in Korean society as a whole. However, the Stalinist totalitarian model furnished him with the tools to transform this weakness into a strength.

By the end of the Korean War, four major political factions had emerged to vie for political hegemony in the NKWP. As leader of one of these factional groups, Kim Il-Sung moved to eliminate his rivals one by one. The four groups in the NKWP was (1) the South Korean Workers' Party faction (SKWP), (2) the Chinese or Yenan faction, (3) the Soviet faction, and (4) the Kapsan faction. Kim Il-Sung was the leader of Kapsan faction, consisting of former members of anti-Japanese guerrilla units in Manchuria and their followers.[12]

The first group to be purged was the South Korean communist faction that had joined with the North Korean communists during the War years. On August 7, 1953, the trial of the seven leaders of the SKWP was announced. They were charged, convicted, and sentencd to death for the alleged crime of acting as "spies of U.S. imperialism" during the Korean War years. Included in the list of executed leaders were Park Hun-Yung, Lee Seung-Yop, Lee Kang-Kuk, and Lim Hwa.

In 1955, Kim Il-Sung spoke of the need not only for "eliminating bureaucracy, dogmatism, and formalism," but for "further intensifying the class education of the party members," and for "establishing Juche in ideological work." Soon after this proclamation was delivered, the Soviet faction leaders were purged. This was followed in the summer of 1956 by the purge of the Chinese faction leaders, including Kim Doo-Bong and Choi Chang-Ik, whose assistance and support Kim Il-Sung had relied on to carry out earlier purges. The proclamation of "Juche in ideology" and successful political purges were followed by the reinforcement of the Soviet model, developing heavy industry first, and collectivizing (or nationalizing) all property. All these events put the milestone of a new period of political development, the stage of consolidation of the totalitarian dictatorship.

CONSOLIDATION

The fourth NKWP Congress, held in September 1962, was the occasion for Kim Il-Sung to celebrate his victory over his political rivals and to consolidate his position of power in the party. In his report to the party, Kim claimed that "the historical task was accomplished by bringing about complete unity of the Korean communist movement through liquidating the long-standing factionalism and localism." The revised NKWP Bylaw adopted at the time had the following new provision in the Preamble : "The NKWP is the direct successor of the glorious revolutionary tradition established by the Korean communists in the anti-Japanese armed struggle."[13] This statement suggested that by 1961, the Kapsan faction led by Kim Il-Sung had finally establishd itself as the dominant political force in North Korea.

However, even within the ranks of his own Kapsan faction, Kim had to purge two prominent members, Park Gum-Chul and Lee Hyo-Soon. This purge took place in March 1967, over policy disputes regarding North Korea's ineffective policy toward South Korea. By the end of 1967, Kim had eliminated all threats to his position and had laid the basis for the "monolithic unitary system."

UNITARY SYSTEM AND POLITICAL SUCCESSION

As the decade of 1970s opened, Kim Il-Sung's grasp of power was ever firmer, and his presence as "the Great Leader" became even more pervasive. The 1970s was the period of "Youil Sasang" (unitary ideology) in North Korea. When the Fifth NKWP Congress was called into session in November 1970, the composition of the Central Committee membership indicated that a new breed of Kim's followers had been recruited to leadership positions, together with the 'loyal' members of Kim's faction.

The year of 1972 seemed to be a momentous year for North Korea - and indeed, for the entire Korean peninsula. The most important event of the year was the publication of 'the historic North - South joint communique" on July 4 which had proclaimed that the two erstwhile enemies had reached "complete agreement" on the principle of reunification. However, the communique was not only "misleading but also premature."[14] The harsh reality was that the communique epitomized not the meeting of minds between Seoul and Pyongyang but the convergence of the perceived interests of their respective power elites. The principal benefit that the North Korean regime derived from the detente was in the international arena, where it gained increased recognition through its improved image and sustained diplomatic efforts[15]

During the period of the North-South dialogue, the leadership in North Korea was tightening the reins of political control, disallowing the political opposition and prohibiting challenges to the party in power. The adoption of the 1972 Constitution strengthened the authority of institutional basis for exercising dictatorial power.

Throughout the 1970s, public expressions of adoration and glorification of Kim Il-Sung and pledges of boundless loyalty to him continued at an ever increasing scale and intensity. Eulogies and sentiments of adoration were lavished on the family lineage of Kim Il-Sung, characterizing his forebears and his family as generations of indomitable revolutionary fighters.[16]

The charisma of President Kim Il-Sung was used to justify the legitimacy of Kim Jung-Il as a successor to his father. After 1973 Kim Jung-Il was given the task of mobilizing the masses through the Three Revolutions Teams (TRT) movement. Kim Jung-Il's base of political support was broadened as team members became "the vanguard" of the revolution. His emergence as the political leader was officially proclaimed in 1980, and in 1983 he became an undisputed de facto leader in charge of day-to-day administration of the party and the state.

Ever since 1980 when Kim Jung-Il made heir apparent to the power of his father, there have been several developments in North Korea.[17] The first is the gradual but steady disappearance of North Korean leadership of Kim Il-Sung's generation. Many important guerrilla comrades and high ranking government officials, e.g., Kim Il, Choi Hyon, Kang Yang-Uk and Oh Paek-Ryong, have passed away. Some of them, Kim Il and Choi Hyun, were reported to be purged and assassinated. The second development pointing to a new era is the appearance of the new leaders, many of whom to be the children of Kim Il-Sung and his generation of guerrillas. This is shown not only by Kim Jung-Il, but also by new premier Kang Sung-San, the son of the late General Kang Kun. Similarly, General Oh Keuk-Yul, the new chief of the General staff of the Korean Peoples' Army (KPA), is the son of the late Oh Chung-Heup, a close partisan comrade of Kim Il-Sung; and Son Sung-Pil, Vice-chairman of the Standing Committee of the Supreme Peoples' Assembly is the son-in-law of Kang Yang-Uk, the late vice-president. In this manner, the leaders of new era seem to have consolidated their power in the party (Kim Jung-Il), the government (Kang Sung-San), the military (Oh Keuk-Yul), and the legislature (Son Sung-Pil). These leaders together with technocrats recruited from the ranks constitute the core of the new leadership, and they seem to support Kim Jung-Il's succession in North Korea.

However, despite these developments, Kim Il-Sung still remains as totalitarian dictator in North Korea. As far as we consider the characteristics of the new elites and up-to-the-present policies, it would be overly optimistic to expect that there would be change in the fundamental policy or attitude in the totalitarian leadership.

3. TOTALITARIANISM AND NORTH KOREA

We observed that the Confucian political culture and the strong support from the Soviet Union provided advantageous cultural and political bases for Kim Il-Sung to build a totalitarian regime. We also outlined the stages in creation and development of totalitarianism in North Korea. Before exploring the Juche Idea and the North Korean economy, the author will demonstrate the validity of North Korean totalitarianism, using Friedrich and Brzezinski's six syndromes. The political ideology and the economy of North Korea will be discussed in the following parts.

North Korea is a state with a single mass party led by a "dictator". And the small percentage of the total population dedicated to the Juche Idea consists of the North Korean Workers' Party. The ultimate power in North Korea is concentrated in the North Korean Workers' Party and the rest of state organs are nothing more than servile institutions which carry out policies laid down by the party and support and strengthen the dictatorial power of the party. In the words of Kim Il-Sung, the NKWP is the "supreme organized body," "the staff of revolutionary force," and presents "the power of guidance and leadership." Kim Il-Sung described the Party in this fashion.

> Various political organizations such as the state organs, worker's association, and social associations bring the Party and the masses together, unite the masses under the Party, and serve to carry out the basic lines and policies of the Party.[18]

From these remarks, it is quite clear that the NKWP is at the apex of political authority in North Korea.

Dae-Sook Suh, a well-known observer, calls the authority of the NKWP in question. He argues that since the new Constitution was introduced in 1972, there seems to have emerged a trend to emphasize the work of the government rather than the work of the party. The power center of North Korea, according to Suh, shifted from the Political Committee of the Central Committee of the party to the functional Central Peoples' Committee of the Supreme Peoples' Assembly. He states:

> Formerly the Party Congress discussed each economic plan in detail and the Assembly approved it ceremonially. The plan (The Second Seven Year Plan) was presented in the Assembly by Premier Yi Chong-Ok, and Kim delivered a long speech about strenthening the work of the government, not mentioning the party. Furthermore, this was the first time in the three decades of North Korean history that a major economic plan was launched without a Party Congress.[19]

However, his argument overlooks a very important point. The Central Peoples' Committee is not a part of the Peoples' Assembly, but it is a new supreme political institution constituted by highly-ranking members of the party and the government. The function of Jungmoowon, the cabinet, is limited to the operation of economy, and the Supreme Peoples' Assembly carries out ceremonial functions. Neither of two organizations participate in economic planning. Furthermore, in 1979 when Suh stated his view, the party organ carried four editorials and three commentaries emphasizing the need for thorough guidance of economic afffairs by party organs. The media were dominated by the central theme: "Today for our party, no task is more important than economic constitution, and for this purpose party guidance must be strengthened."[20]

In addition, the power of the NKWP can be seen in its domination of Jungmoowon, the Administration, by the Constitution and controls it through invisible ways like concurrent officialdom. All six prime ministers of Jungmoowon, e.g., Kim Il-Sung, Kim Il, Park Sung-Chul, Lee

Jong-Ok, Kang Sung-San and Lee Lee Keun-Mo, were politbureau members and so were seven of the nine vice prime ministers of 1985. The State Planning Committee is a pivotal agency taking charge of general economic tasks. Since 1948 when it was built, ten persons have taken the responsibility of the chairman. Among them, all chairmen were politbureau members except Jung Joon-Taek and Park Chang-Ok (1948-1956), and Im Kyae-Chul (1960). The NKWP has also a near-complete domination over the lowest unit of economy. Every firm and factory in North Korea consists of five sections, with the most important section being a sub-unit of the party. All factories have grass roots party organizations, which hold practical authority as factory management. The role of these is not only to supervise political ideological tasks for managers and workers, but to adjust factory management to economic plans delivered by the central party.

Kim Il-Sung holds absolute power and stands above the party and political organs. According to the new "Socialist Constitution," Kim is General Secretary of the Party, President of the State, the first ranking member of the Central Peoples' Committee (CPC), Supreme Commander of the Peoples' Army, Chairman of the CPC Defense Committee, and Chairman of the Party Military Committee. Kim also tries to legalize his absolute power of leadership in idea as well as in political fact. He formally prescribes, in the Constitution, the Juche Idea (Article 4), the Chollima

Movement (Article 3), the Chongsan-ri Method (Article 12), and the Taean Work System (Article 30), all of which he initiated personally. The Chongsan-ri Method is a basic guide for agricultural management and the Taean Work System is a pivotal guide for industrial managers, which guarantee the centralized domination over the economy. Thus, all the powers in North Korean political system reside in an individual, Kim Il-Sung, who stands above the party and political organs.[21]

North Korea also has organizations of terroristic police control such as "Ahnjunboeiboo" (Department of Domestic Security) and "Ohodamdangje" (surveillance system by village party organization). They are directed not only against demonstrable enemies of the regime, but against arbitrarily selected classes which comprise more than thirty percent of the total population. The North Korean inhabitants and workers cannot escape or move freely without the permission from the state. The people are also forced to study and discuss Kim Il-Sung's ideology routinely. If anyone goes against these regulations, he is exposed to public self-critique, exiled to labour camps, or even put to death.

All means of effective mass communication, such as the press, radio, motion pictures, are monopolized by the NKWP. All newspapers and periodicals are put into use for the state, and the people are regularly forced to watch films on Kim's greatness or on the communist spirit. In

North Korean society, the state controls over the broadcasting systems, such as , the common people can hear and watch only one channel, The Pyongyang Central Broadcasting System, on radios and televisions.

The NKWP also has relatively stable control over all means of effective armed combat. Kim Il-Sung successfully overcame the political criticism from the army in 1968 and survived a series of coup d'etats by the civil defence army in 1978 and by small number of pro-Chinese soldiers in the 1980s. However, it seems correct to say Kim Il-Sung has a near-complete monopoly over the army and over other means of armed combat.

4. THE JUCHE IDEA

ORIGINS AND CONTENT OF THE JUCHE IDEA

While North Korea affirms the Juche Idea is a creative "guiding principle of the new age" which adapts Marxism and Leninism to North Korea, it is no more than a combination of Marxism, Leninism, Stalinism, Mao's mass line, Korean nationalism, and a unification obsession. The main content of the Juche Idea may be summarized as independence in politics, economy, ideology, and military joined with a leadership theory involving deification of Kim Il-Sung, and an unconditional pursuit of unification.

In the beginning, North Korean communists did not set out to build a self-sufficient economy and national legitimacy, but rather, they tried to achieve Stalin's socialism in North Korea through the military power of the Red Army. As we observed, regime building in North Korea occurred through a foreign-made communist revolution, in contrast to the Chinese and Yugoslav regimes, which were built by native communists. So, to strengthen his one-man autocratic system, Kim Il-Sung fabricated and invented a "Revolutionary Tradition." According to North Korea's party theorists, Kim created the Juche Idea during the Japanese colonialist period and anti-Japanese struggle of the 1920's and 1930's to emancipate the people from flunkeyism and dogmatism. The idea became an offical party doctrine of the North Korea Workers' Party (NKWP) after national independence. The term "Ju-Che" (subject) appeared, for the first time, in 1955, and North Korean ideology was organized as the Juche Idea only in the late 1960s. North Korea was steeped in Marxist-Leninist revolutionary theory, revolutionary strategy, and party organization doctrine during the early stage of party building. In 1955, Kim started to claim "Juche in ideology" at a party propaganda-instigation campaign in an address titled "About clearing dogmatism and formalism in our ideological movement and building Juche". These were the same terms which Mao used to oppose the influence of Moscow in the 1940's.[22]

TABLE 1.

PROCESS OF SYSTEMATIZATION OF THE JUCHE IDEA

Content	Time	Background
Juche in ideology	Party Propaganda-Agitation Wokers Meeting (1955)	Stalin dies; opponents purged
Self-suffiicience in economy	Party CC* Plenium (1956)	Foreign aid decreased, anti-Kim drive intensifies
Independence in politics	Party CC Plenium (1962)	Personality cult of Kim opposed in the party, Yenan and Russian factions destroyed
Self-defence in national defence	5th Plenium, 4th Party CC (1962)	Sino-Soviet dispute comes into the open, Russia and America seek coexistence, military revolution in South Korea
Independence in politics(foreign relations)	2nd Party Delegates' Conference(1966)	Sino-Soviet dispute worsens, non-alignment movement movement progresses.
Overall systematization	16th Plenium, 4th Party CC(1967) 5th Party Congress (1970)	Kim Il-Sung's one-man dictatorship was consolidated, personality cult of Kim launched.

*Central Committee
SOURCE : Nambukhan Bikyoyongu (Seoul: 1982)

The Juche Idea has four essential points summarized as "Juche (Subject) in ideology," "Jaju (Independence) on politics," "Jarib (Self-reliance) in economy," "Jawui (Self-defense) in military defense."

The idea of economic self-reliance was first presented at a Central Committee meeting in 1953. It was not until 1956 that North Korea's economic policy began to be planned and operated according to the Juche Idea. The editorial of Rho-dong Shin-mun says, "To strengthen power of the international socialist front, national economic self-reliance is an urgent task, for a series of nations," and "socialist countries should build internally self-reliant economies as they develop heavy industry centered around the machine industry, light industry, and agriculture. Guaranteeing economic self-reliance, we can possess political independence and become a highly developed modern nation."[23]

Kim Il-Sung saw economic self-reliance as a means to continue his pursuit of unification and to overcome economic problems. He reacted against the U.S.S.R. in the Sino-Soviet Dispute initially, because like China, he saw peaceful coexistence between the U.S.S.R. and the U.S.A. as restricting the chances of Korean national unification. For this reason, economic aid coming from the Soviet Union was curtailed, and the North Korean economy had to finance its economic development projects with no external assistance. It was obvious to Kim

Il-Sung that the bulk of economic development had to be financed through the sacrifice of the North Korean population, especially the farmers and the workers.

The 1961 military coup in South Korea was interpreted by the North Korean leaders as an act engineered and encouraged by "U.S. imperialism," and they perceived the new military regime as a potential threat to North Korea's security. Kim Il-Sung decided to double defense expenditures and revise the timetable for the completion of the First Seven Year Plan. In 1962, the Party Central Committee proclaimed two important principles, "independence in politics" and "self-defense in national defense."

With the adoption of these four principles, a pattern seems to have been set whereby each success in economic construction is followed by greater military buildup. Since 1962, North Korea, through this pattern, has pursued a parallel policy of economic construction and defense buildup. The "Four Great Military Policy Lines" adopted at the Fourth NKWP Congress in 1962 contained the slogans "arm the entire population," "fortify the entire country," "cadetify the entire army," and "modernize the entire army." Under the four policies, the Korean Peoples' Army was to be given the latest advanced training as well the latest weapons and equipment, to be domestically produced or purchased from abroad if necessary. The North Korean economy did not fare well in the 1960s in contrast with the post-war years of the 1950s. At the NKWP representative conference in 1966, the first vice-premier, Kim Il, blamed external exigencies for the necessary extension of the First Seven Year Plan. These included, according to Kim Il, insufficient economic assistance from socialist countries due to the intensified Sino-Soviet dispute and Soviet "revisionist" policies. The increased threat of war from "U.S. imperialism," evidenced by the Cuban missile crisis, was also blamed for the need to build up defense and increase defense expenditures.[24]

Not until 1967 did the NKWP adopt the Juche Idea as an official and essentially reigning doctrine in every sphere. The Juche Idea took concrete shape as "The Ten Political Doctrines of the Republic" were discussed at the Supreme Peoples' Council in 1967. By emphasizing every fruit of "socialist revolution and development" as products of the Juche Idea, the NKWP put the Juche Idea in a statutory form in the Constitution and the NKWP's Party Bylaw saying "The NKWP proclaims comrade Kim Il-Sung's great Juche Idea as the party activity doctrine, which adopts Marx-Leninism creatively."[25] In 1974, the status of the Juche Idea was strengthened as the unitary NKWP principle for national guidance thorugh "Ten Basic Doctrines for Building the Unitary Ideology," and was proclaimed at the Sixth Party Congress in 1980 that North Korea's national development resulted from the perfect victory of the Juche Idea.

The philosophical basis of the Juche Idea can be summarized as follows: (1) The people are independent social beings who possess ideology. (2) The people determine nature and society, and are the basic causal factor. (3) The prime factor of revolution and development is the people, and the energy of human ideology determines revolution (26). Basically, the people should have knowledge of revolution and its development.

By saying the people are the master of everything and determine everything, the Juche Idea embodies the notion that the people are "positive beings who have ideological consciousness" and "independently behaving social beings." It argues that the people improve nature and society, and emphasizes the revolutionary volition of the people; the people are regarded as the driving force of revolution and construction. A human being is defined as the one and only being who does not submit to environment, but reconstructs it and makes it work toward his needs and demands. Man grows by himself to be a conscious being.

The reason that North Korea emphasizes subjective concerns and will is to reorganize subjective ideas in accordance with objective ideas. In economic policy, this means turning to the mass-line to overcome material shortages by will. The Juche Idea argues that the people are "the master of everything," and "should thoroughly unite around Comrade Kim Il-Sung and unconditionally obey under his majestic leadership."[27] By subjecting the Juche Idea to the initiative of Kim Il-Sung, North Korea transforms the theory of people's subjectivity to the theory of Kim's one man subjectivity. The idea of human voluntarism is translated into "Soo-Ryung Rhon" (leadership theory), political voluntarism. The ideology of a "great leader" determines history and human behaviour. By proclaiming that the "people should awake and integrate around Kim Il-Sung's leadership to carry out revolutionary tasks and the master's role correctly," the Juche Idea calls for the mass to be dependent on one person's idea.[28] Party theorists argue that "the socialist construction of today and tomorrow is up to Soo-Ryung (Head) because socialist revolution, nation and party building were possible by Soo-Ryung's superhuman leadership and his ability to decide historical direction by himself."[29]

Kim's voluntarism and leadership theory recall interesting characteristics of Maoism, i.e., its overwhelming stress on man. "Of all the things in the world, people are the most precious. As long as there are people, every kind of miracle can be performed under the leadsership of the Communist Party."[30] Eckstein states:

> Actually what Man means is that man is potentially most precious or, more specifically, that man being malleable, he can be energized and committed and his potential mobilized provided that he is properly organized and indoctrinated by the CCP. Coupled

> with this stress on man is an almost messianic quality, a conviction that almost all men can be saved, although salvation is enourmously difficult and backsliding is an ever-present danger. This danger can be countered by vigilance, continuous indoctrination, and periodic "rectification" movements.[31]

The accent on man, on consciousness, on the human will, and on the role of the party, and the primary of politics represent Leninist elements in Maoism. However, these elements have been given much greater emphasis by Mao and seem to play a much more central role in his cosmology as compared to Lenin's.[32]

Young C. Kim points out North Korea's leadership theory in these ways :

> ....The North Korean "theory of the leader,"... holds that the revolutionary cause of the working class is, in essence, a cause designed to realize the revolutionary thought of the leader, pioneered by the leader, and completed under his leadership. Therefore the revolutionary cause of the working class is precisely the leader's cause, and the history of the revolution is the history of the leader's revolutionary cause. To emphasize and uphold the role of the leader correctly constitute a supreme duty of the communists.[33]

As mentioned earlier, many scholars emphasize the existence of the charismatic leader as an important picture of totalitarianism. In Tucker's thesis, the leader is present in the totalitarian state, not as a person but as a function.[34] According to him, the mind and personality of the leader is one of the most important factors underlying the revolution from above, and the psychology of the leader becomes the driving force of the totalitarian political mechanism. The regime is shaped into a highly complicated instrumentality for acting out the needs of the paranoid leader-personality, whose psychodynamics are politicalized, i.e., expressed in political action. The importance of the leader in totalitarian societies has also been emphasized by L. Schapiro and Laqueur.

We discussed 'the leader' as an important feature in the context of totalitarianism. If relating North Korea's leadership theory to Tucker's thesis, "Soo-Ryung Rhon" can be described as a theoretical pillar of Kim's dictatorship. Based on this information, it would not be overly wrong to consider Kim Il-Sung as a personal element in the dynamics of the North Korean totalitarianism.

The NKWP has unremittingly stressed Kim's successful victory, his superhuman ability to inspire the people with revolutionary dynamism. As it fabricates history, the NKWP systematically idolizes Kim Il-Sung and his family, and concocts Kim's greatness as the sun of the nation. It forces the people to follow his ideas and policies blindly. The deification of Kim Il-Sung has developed into the stage of a state-religion today.

For example, Kim Il-Sung's birthday has been declared a national holiday since 1972, while the period from February 16, Kim Jong-Il's birthday, to April 15, his father's birthday, has been designed as the "Loyal

Festival Period' since 1976. Furthermore, anniversaries of the deaths of Kim Il-Sung's father (Kim Hyong-Jik), his brother (Kim Chul-Joo), his uncle (Kim Hong-Gwon), and maternal grandfather (Kang Don-Uk) are commemorated in solemn memorial meetings and newspaper articles extolling their virtues, patriotism, and revolutionary legacies.

Finally, the Juche Idea argues that South Korea is dominated by imperialist America and its puppet government, and is situated at "hostile contradiction" between America, land-lords, capitalists, anti-national bureaucrats, workers, peasants, youth, students, and nationalists.

> We must do away with the colonial fascist rule of the U.S. imperialists and their stooges in South Korea and reunify the country, and thus end the distress and tragedy of our fellow countrymen and carve out a bright future of our nation. If reunification does not come quickly and division continues, our nation will remain bisected forever, and the South Korean people will be unable to cast off the yoke of colonial slavery.[35]

Unification is visualized as a national liberation struggle and class revolution accompanied by violence and war.[36] For this principle, the Juche Idea declares that North Korea should arm militarily and mobilize all resources for the increase of military power.

THE ROLE OF THE JUCHE IDEA

North Korean leaders speak the language of North Korean ideology, using its categories and key terms as a framework for discourse. It is probably no exaggeration to say that one would be denied a political role in North Korea if one could not or would not manipulate the language of ideology. Ordinary North Korean citizens and the mass media also use this language. For example, until 1980, Kim Jong-Il was called as "Dangjoongang" by the mass media, which literally means "center of the party." An outsider might be tempted to understand this term as merely being the Central Committee or the authority of the NKWP, but the North Korean citizenry knew it stood for a political successor and a new "almighty being." Such an interpretation was the result of the impact of the long-term political socialization process occurring in North korea. North Koreans have been exposed to massive and sustained indoctrination and an "organizational life" shielded from external influence. These facts explain how the Juche Idea has developed as a set of languages and signals, and as a closed communication system.

Taken as a whole, the Juche Idea serves to legitimize political and economic arrangements in North Korea. In the preceding section, it was argued that, unlike Mao's and Tito's regimes, Kim's regime lacked historical legitimacy, as he did not lead any significant resistance movements and anti-imperialist struggles, but his regime was built with the help of Soviet power. It is important to remember that Kim was not the recognized leader of any of the principal factions, but the small Kapsan faction. The domestic communist faction was led by Hyun Joon-Hyuk, Oh Ki-Sub, and Park Hun-Young. Kim Il-Sung had no close relationship with the Yenan faction led by Kim Doo-Bong, and the pro-Soviet faction consisted of the communist intellectuals who were familiar with Marxism and Leninism.[37] In order to establish his own leadership, Kim had to build up his own legitimacy and, as we observed earlier, purge the central forces of the Korean communist movement.

To strengthen his legitimacy, Kim fabricated stories about revolutionary succession centering around Anti-Japanese struggles, and inflated his mysterious identity to bring his greatness to the political forefront. He exploited the Confucian political culture which makes no distinction between institutionalized loyalty and individual symbols, to identify loyalty to him with loyalty to the state. Since 1946 the people have been subjected to monolithic, ideological and political indoctrination aimed at furthering this ideology. Under such circumstances, the Juche Idea has been used to rationalize Kim's autocracy and to control the whole nation. The political leadership of North Korea equates Kim Il-Sung with the Juche Idea (the unitary ideology), with the regime(and now with Kim's son - Jong-Il). To preserve such an ideological system and power, Kim Il-Sung has kept North Korea closed, and has socialized people according to the Juche Idea, and made the North Korean economy become dependent on politics. Money, economic resources, and labour power were invested preferentially for the cult of Kim's personality and his family despite a lack of financial resources. Technology and capital were introduced and economic exchange was allowed so long as they did not threaten political legitimacy.

On the other hand, the Juche Idea talks of the historical goal of North Korea, such as the unification of Korea and the emancipation of South Korea from the American imperialists. An example is the following passage from Kim Il-Sung.

> The socialist system is a most advanced social system: Power is in the hands of the people, and on the basis of the public ownership of the means of production, there is a steady development of a planned production on a highly scientific and technical basis for the purpose of systemically improving the welfare of the people. ... In the northern half of the Republic, the most progressive system - the socialist system - ... has been established... In contrast, South Korea has turned into a colony of American imperialism and a military base for aggression.[38]

The political legitimacy of Kim's regime is based on this historical interpretation that South Korea is dominated by the United States, and that North Korea has a sacred duty to emancipate South Korea from the imperialist yoke. For this North Korean leaders force the people to sacrifice comfort to advance military power.

> Success or failure in a war depends upon our long-term ability to provide men and supplies to the front and in the rear. We must intensify our efforts to increase production and save our resources so that the necessary supplies can be secured. We must also develop our arms industry and be prepared to continue production in wartime by transforming the economy according to the needs of the new situation.[39]

This interpretation legitimized a preference for heavy and war industry, and light industry and the service sector for people's welfare were sacrificed.

In addition to these functions, the Juche Idea provides diplomatic excuses for neutrality in the Sino-Soviet conflict for North Korea and takes a role in increasing national reputation in the world arena. We may call this role the diplomatic function of the Juche Idea. The Juche Idea has provided opportunities for North Korea to assert diplomatic independence from the Sino-Soviet conflict, and to put forward the idea of polycentralization of the socialist bloc. Traditionally, Soviet aid for North Korea was military and economic. On the other hand, China emphasized political and diplomatic support. Ever since the 1960s, North Korea has practiced pro-Soviet diplomacy when it needs military or economic aid, at other times it has adhered strictly to a pro-Chinese attitude for political and diplomatic needs (for example, the power transfer to Kim Jung-Il, third world diplomacy), all of which North Korea has affirmed as independent diplomacy based on the Juche Idea.

North Korea organized forty-two goodwill councils (1972) in third world countries and institutes of Kim Il-Sung studies in forty-six nations, and has announced and supported the greatness of Kim Il-Sung and the Juche Idea, peacefulness and legitimacy of North Korea, abuse against South Korea, and solidarity of the anti-imperialist national emancipation front.[40] Due to these activities, it has enjoyed advantageous diplomatic status at the Non-Aligned Conference.

In the economic sphere, it can receive economic backing from China and the USSR, and can pursue trade with capitalist countries so long as the trade does not threaten Kim's legitimacy. The declaration of the Juche Idea has widened economic exchange with the Third World and has compensated for trade deficit to some limited extent.

Lastly, the Juche Idea, in terms of Schurmann's thesis, embodies the characteristics of both pure and practical ideology. It states the value of pure ideology: moral and ethical conceptions about right and wrong. It also states norms which are the characteristics of practical ideology: rules which prescribe behaviour, and are thus expected to have direct consequences for action. The Juche Idea serves as a tool to activate the bottom tier of organizations, and also, serves to activate the line component of the middle tier of organizations.

In conclusion, In the hands of a supreme leader, the Juche Idea functions as a tool for using organization and the state. It also provides political legitimacy and political stability for Kim Il-Sung. The essence of the Juche Idea is (1) to safeguard deification of Kim Il-Sung and patrimonial transmission of power, (2) to mobilize labour power for economic development and military armament, (3) to rationalize people's material sacrifices, (4) provide theoretical excuse for diplomatic neutrality, (5) to keep North Korea closed, (6) to meet targets to improve the national reputation and the national interests in the third world, and finally, (7) to serve to activate different components of organization.

To classify these items historically, the most important objective in enhancing the Juche Idea was to overcome diplomatic difficulties at the beginning, while at present, domestic ones are more of an issue. In other words, when the Juche Idea appeared for the first time, Kim Il-Sung put political independence before the mobilization of the people and used the cult of Kim's personality to overcome political struggles. As the Juche Idea became organized theoretically, North Korea started to emphasize the mobilization of the labour force and sacrifice of the people, and Kim's supreme power and power-transmission. Currently, the Juche Idea seems to function mainly to rationalize political control for Kim's autocracy and systemic efficiency. Rapid economic development and diplomatic functions are on the decline as North Korea introduces capital and technology from the capitalist countries.

IV. ECONOMIC MODEL AND DEVELOPMENT

We observed that the totalitarian model was in fact the most appropriate model for interpreting the North Korean political economy, and showed the specific form of North Korean totalitarian ideology, the Juche Idea. In North Korea, the Juche Idea has had important consequences for North Korean economic development, in particular it has been the major cause of economic stagnation in the last decade. The Juche Idea, the tool used to declare North Korean independence from other communist powers and purge Kim Il-Sung's political competitors has now become a trap, and the North Korean political economy has been caught in a vicious circle of the Juche Idea.

1. THE NORTH KOREAN ECONOMIC MODEL

The economic policies of North Korea have followed the dictates of President Kim Il-Sung's Juche Idea. In broad terms, achievement of Juche has meant the building a centralized, self-sufficient, fully industrialized economy, and North Korean policy makers look upon the collectivised agricultural sector of the ecomomy as a source of manpower and productive capacity ultimately directed to support the foundations of industrialization.

Kim and North Korean elites consider economic development can be achieved mainly through the mobilization of man-power.

CENTRALIZATION AND PLANNING

The State Planning Committee (SPC) is the most important agency for economic centralization. Overall priorities are undoubtedly set at a much higher level, probably within the Internal Policy Commission of the Central Peoples' Committee, whose members are also high officials within the party. The SPC provides the actual professional, technical, and coordinating functions invloved in drawing up and implementing the plan. Since 1946, North Korean policy makers have continually set up and implemented economic plans. The decisive influence of the economic plan was summarized by Kim Il-Sung as "the whole economic life of North Korea should be conducted according to a plan." He added that all materials and resources should be utilized in a planned way, and all factories and enterprises should be operated according to a plan and everyday work conducted according to a plan.[1] In 1964, the planning machinery was reorganized at all levels under "a unified and detailed planning system" designed to stimulate local initiative by the producers. Local planning committees were established and acted under the unified direction of the State Planning Committes.

This planning network has permitted the State Planning Committee and the party to keep in touch with the situation through reports channeled upward, and to control effectively local economies. The Central Bank and related banking institutions have been subservient to the fiscal authorities of the Ministry of Finance; the Central Bank has no independent function in creating and extending credit but serves to channel funds deposited by the government to enterprises and agencies to the development plan. The state budget has played the pivotal role in all the financial operations of the North Korean economy: through the budget of the central government, resources are articulated and allocated, economic growth is promoted, income is redistributed, and the overall course of the economy is managed. The Ministry of Finance is responsible for preparing the state budget under guidance from the party and in coordination with the SPC. The budget is then subject to approval by the State Planning Committee.

RAPID INDUSTRIALIZATION

The Second mark of the North Korean economic model is the economic policy of rapid industrialization. Soon after the Korean war, the industrial sector had recovered from the severe economic disruption of the war to achieve rapid growth and to undergo basic structural change. Investment in industry has accounted for around half of total investment since 1948. It is assumed that, as a minimum, one-half to two-thirds of the new entrants into the labour-force have been assigned to industry annually. The highest rate of industrial growth has occurred in heavy industry, especially the machine-building and metal processing industries, because it consistently has received the largest amount of total investment and the overwhelming portion of industrial investment. However, light industry has failed to meet the needs of consumers and exports. The Taeahn Work System is the basic management guideline for industrial managers. It evolved as a means of over-coming managerial problems in a centralized control and planning system, and it also provided a framework for improved technical guidance.

This type of management and planning initiated in the industrial sector during the 1960's gave at least a greater appearance of worker participation. A factory party committee was established and laborers were allowed to join it as staff. However, as time progressed, the role of labour was minimized in the committee, and it became a "nerve organ" of the NKWP, to implement commands from the above in each factory and firm. (We will explore the Taean Work System more specifically in chapter 6.) The growth rates of economic plans will be examined in the following parts.

AGRICULTURAL COLLECTIVIZATION

The ultimate goal of the North Korean leadership in agrarian policy is to create a society in which peasants are not peasants in the traditional sense, but are an agricultural proletariat, working in a farming sector in exactly the same manner as the industrial proletariat working in factories.

North Korean leaders conceive the transformation of the peasantry into a rural working class as taking place in three stages: land reform designed to eliminate "feudal elements" from rural society by destroying landlords and big landowners, and also to gain the support of the poor peasantry; collectivization (called cooperativization by North Koreans); and finally, communization.

Land reform took place almost immediately after the Soviet occupation in 1946. Land was confiscated without compensation from Japanese and Korean landlords and distribution was made free to the peasants with the provision that distributed land could not be sold or rented. The state retained control of forestland, some buildings and livestock and, more important, irrigation facilities - a factor that was to prove significant in persuading peasants to collectivize.

Tentative efforts to collectivize agriculture were made during the war, but the seesaw nature of the fighting and almost total disruption caused by the war precluded any institutionalization. The collectivization movement gained considerable momentum in late 1954, and in 1956 the process was accelerated. By the end of 1956 over 80 percent of the farm households had been collectivized, and in August 1958 the program was declared completely accomplished.

Although there was some peasant resistance, there was no violence or bloodshed involved in contrast to Soviet collectivization. Forcible means of "persuasion" were used and recalcitrant peasant found themselves cut off from irrigation and fertilizer supplies, which were state controlled. Most likely, however, the greatest form of persuasion was the social pressure applied by the party cadres and other peasants.

Collectivization was followed by the consolidation and expansion of collective farms, and a move to achieve the "comprehensive mechanization" of agriculture. In 1960, the Chongsan-ri method was implemented as a basic guideline for agricultural management.

A principle focus of the Chungsan-ri method was on increased communication between collective farmers and the management. Formats were also provided for peasants to voice their complaints and raise problems, and to grant more material incentives.

Yet what Chongsan-ri proposed, according to David Kho, were "two, highly antagonistic" styles of work.[2] The first was mass-line "from the masses to the masses or to learn from the masses. On the other hand, the Chongsan-ri method furthered hierarchical relations ("Superior helps inferior"). He states the antagonism between these two forms of political practice (mass line versus top-down) could be resolved only through struggle. By the late 1960s the top-down form became predominant. All ideas and initiatives had to emanate from the leadership, and to be followed and implemented without question by the masses.

CLOSED ECONOMY

North Korea has adhered to the principle of "regeneration through self-effort" in a closed system, and has been passive toward international trade. Essentially, North Korea regards foreign trade as a means that is supplementary to its self-sufficient economy. The external trade of North Korea is planned and regulated by the state and is operated by state-run and cooperative trading firms under the control of the Ministry of Foreign Trade.

However, the distinction between the ideals of socialist self-reliance and actual practice is very clear in foreign trade. The economy has relied on substantial imports of machinery and equipment, and of petroleum, coal, certain raw materials, and wheat. North Korean policy makers were also anxious to introduce foreign savings not only from communist countries but from non-communist countries.

The interventions of the state, in the 1960s when nationalization and collectivization were completed, concentrated upon refining economic management and planning. These interventions brought the state organs (under the direct guidance of the party) much closer to workers and peasants, and removed considerable power from the hands of the sole enterprise managers.[3].

THE MASS-LINE

In addition to the Stalinist model, Kim borrowed the mass-line from Maoism and modified it. For Kim Il-Sung, Lenin's idea of skipping the capitalist stage was encouraging and deemed useful in legitimizing his centralized control. The idea of "capitalist encirclement" was also useful for Kim Il-Sung in using the situation of political partition for the purpose of perpetuating his absolute power. However, even these ideas did not seem to be sufficient for consolidating political power and sanctifying his control in the economically stricken and socially disrupted country. It was against this background of economic poverty and social disturbances, which called for even more human and material sacrifices on the part of the people than would have been the case in a more affluent society, that Kim Il-Sung advocated a new theory of the revolutionary condition.[4]

According to North Korean communism, there are two conditions for socialist revolution: (1) the "objective condition" and (2) the "subjective condition."[5] The objective condition includes a broad range of considerations, such as socio-economic and political affairs. The presence of economically "oppressed" peasants, socially dislocated masses, and politically alienated people constitutes such an objective condition for socialist revolution. By contrast, the subjective condition refers specifically to psychological determination and willingness to sacrifice personal interest and benefit for the greater good of socialist revolution. Kim notes,

> As we always say, a person can be proud of the way he lives when he is making revolution. Those who waste their time, eating the bread of idleness, and not making revolution, cannot live a worthwhile life. .... As the victory is inevitable, sacrifices are never in vain.[6]

Based on this understanding, Kim borrowed the mass-line doctrine from Mao, who, in the autumn of 1957, turned his attention from the elite to the masses (Mao’s mass line dates back to 1942). In formulating and implementing the Great Leap Forward, Mao applied the mass line by encouraging mass mobilization and participation. He personally tried to reach out to the masses, and the masses were called upon to respond directly to him. The resulting political order was a highly decentralized one through which the Supreme Leader attempted to maintain constant contact with the mass. The ideal of this practice came closer to that of mass polity. Organizationally, the mass line can be seen as an attempt to eliminate the middle and to join top and bottom directly; leaders and masses were to be in an intimate relationship, bypassing the professionals. As a result, the regular bureaucracy and its professionals were put aside. Mao sent elites and specialists to work at the grass-roots level. Meanwhile, he relied on the creativity of the rank and file as the agent of modernization. He affirmed that China’s economic development could be achieved by labour-intensive industrialization and went against elitist philosophy. Kim Il-Sung said,

> There was no way for us but to rely entirely on our own party members and people. Our party decided to win through all difficulties and trials standing in the way by trusting its members and the masses of the people and mobilizing their strength. ... (we) must hear the voice of the poor peasants and farm hands in the countryside and must hear the voice of the workers in cities.’
>
> We, the NKWP members, should go into the people, talk with them, and mobilize the wisdom of the people

> according to the communist-task-method.[8]
> We can increase production ceaselessly. It is possible when we raise revolutionary volition continuously, do well on guidance and organization of the tasks of production, and succeed in management and operation effectively (9).

Kim believes that the worker's revolutionary volition necessarily brings out ceaseless economic development, which seems to be an endeavour to ignore and overcome the real conditions of practical economy. This can only be sustained through continuous ideological stimulus.

Kim disregarded the professional knowledge and skill of the intelligentsia and technocrats in order to make their authority and role weak. He severely reproached experts and technicians for ignoring the people and pretending that their knowledge and scientific technology was too mysterious for the people to learn without special hard training. Kim started to denounce them and their attitude in August, 1958.

He criticized their passive response to the party policy, and their attitude, which was said to have resulted from a passive and conservative view. This was because Kim evaluated the mass to be his absolutely obedient group and underestimated the intelligentsia and the technocrats' value. Kim Il-Sung said,

> Our party has trusted the intellectuals and assigned them as chief engineers; it has placed factories in their charge and entrusted them with various important revolutionary tasks. Being a factory chief engineer, for instance, is by no means an ordinary job... But, contrary to the Party's

> expectations, they did not introduce new technology nor did they work hard... [10]. It is wrong to think that only those who graduated from university can work for economic planning. Provided that we pick up talented people among the laborers, they are better than college graduates in some aspects [11].

Paradoxically, although Kim Il-Sung practices an ironclad dictatorship in North Korea, his leadership is defended in the name of promoting and protecting the cause of the working masses. For example, the mass-line has been a useful and habitual method for Kim Il-Sung, of making dissenters and political competitors ineffective. When he purged the South Korean Labor Party members (1953-1955), the Yenan faction and the pro-Soviet faction (1956-1958), and the Kabsan faction (1968-1969), Kim mobilized the people without exception.

However, there is an important difference between Kim's and Mao's mass line. Attempting to distinguish Mao Zedong's approach from Kim Il-Sung's, Bruce Cumings proposes "if Mao's mass line reads 'from the masses to the masses,' then Kim's might be 'to the masses from the masses.'"[12] Brun and Hersh suggest that the NKWP's political practice is closer to mass politics; while Aidan Foster-Carter surmises that Kim's mass line is strictly "from the top-down."[13]

David Kho suggests a different view.[14]. According to him, North Korean political practice seems to have gone through three major phases. During the first phase, 1945-1958, when inner party struggle was at its height, its dominant form (practiced by Kim Il-Sung's group) was mass line. In the second phase, 1959-1967, especially after the formal institution of the Chungsan-ri method, two antagonistic forms vied for dominance (mass line versus top-down). By the late 1960s political practice had entered a third phase as the top-down form became predominant.

The author accepts David Kho's basic view that the top-down form has strengthened, and by the late 1960s ultimately has become predominant . It is doubtful Kim has ever allowed the masses to appear as a leading political factor, but instead he has used them as a political and economic instrument. Kim has put the NKWP between him and the mass, and has mobilized the zeal and labour force of the people. Professionals, who are potential political dissidents and constitute middle administration in the national bureaucracy and middle management in industry, were attacked; large numbers were dismissed from their positions. In Kim's mass line, the people are not the subject, but rather the object, and nonprofessionals are not permitted to lead professionals without the party's guidance. This reason explains why North Korea has never experienced political chaos China did during the Cultural Revolution, even though Kim has vociferously proclaimed the mass line.

2. ECONOMIC DEVELOPMENT

Sang-Chul Suh, a deceased South Korean minister, briefly summarized the policies for industrial development in North Korea.

> The first official development plan for North Korea was announced in 1957. Conceptually, this might be viewed as the beginning of a new development stage, in the sense that alternative strategies were open to the planners for the first time since the Korean War. However, the North Korean planners opted to reinforce the basic principles of the communist economy that had been adopted during the first period (1945-56). These principles are reflected in the Juche Idea, which stresses independence, self-reliance, and self-sufficiency. ... Private consumption is held to a low level by rationing, whereas the demand for heavy industrial products increases as import substitution, thereby achieving the three goals of the Juche Idea. To this should be added the huge military needs of North Korea as a determining factor of aggregate demand for industrialization. Given this demand structure, the rationale for the industrial policy of North Korea becomes quite evident: heavy industry as a leading sector of industrial development with a moderate growth of light industry and agriculture to meet consumer demand. Heavy industries are concentrated in the big urban centers, while the light industries throughout the provincial districts[15].

To investigate the economic development in North Korea, we will adopt the chronological approach used for the explanation of political development. In terms of economy, North Korea's development may be divided into the three following stages: (1) the successful adoption and implementation of the totalitarian economic model (1946-1960); (2) the decline of economic growth (1961-1970); (3) the period of change and stagnation (1971-).

ADAPTATION AND IMPLEMENTATION

The first stage, 1946-1960, consists of three sub-phases, i.e., the pre-war phase, the Korean war, and the postwar reconstruction phase. As stated earlier, the Land Reform Act was proclaimed in 1946, and the implementation of this act affected 54 percent of total cultivated land in North Korea.[16] Yet, the program of land redistribution disrupted the sector and temporarily fragmented landholding, consequently dispersing labor resources. Other progressive measures of legislation that soon followed were the Labor Law and the Nationalization Law of public enterprises and properties. Between 1946 and 1950, two One Year Plans and a Two Year Plan were designed. Little significant progress was made in agricultural development, and state investment in agriculture was guite low (roughly 11 percent in 1949). Both in absolute terms and as a proportion of total state investment, the highest priority was placed on reconstruction and the development of industry.

After the end of the Korean War, which almost completely erased the economic gains made from 1946 to

1949, North Korea embarked on a series of economic development plans, i.e., the Three Year Plan(1954-1956) and the Five Year Plan (1957-61). Kim Il-Sung called the Sixth Plenary Meeting of the Central Committee of the NKWP on August 5, 1953. Following this meeting of the Central Committee, the North Korean regime set out the task of reconstruction with the "Three Year Plan for Postwar Reconstruction (1954-1956) supported by technical and economic aid from other communist countries. The predominant feature of the Three Year Plan was its emphasis on heavy industry. Thus, more than 80% of the total investment of $320 million in industry was devoted to heavy industry, including power, coal, machine building, metal, and chemical fertilizer industries.[17].

The major goal of the Five Year Plan (1957-1961) continued to be the development of heavy industry. Other goals of the plan included intensified technical innovation, solution of food shortage problems, and completion of the socialization of agriculture, private enterprise and commerce. The goals of the Five Year Plan were declared accomplished in 1960, one year ahead of schedule. Most observers seem to agree that North Korea did attain a rapid rate of economic development during the Five Year Plan period. A massive amount of foreign aid from the Soviet Union and China certainly played an important role. In addition to the effective foreign aid programs, the Chollima movement contributed materially to the attainment of production goals of the Five Year Plan. Through the Chollima movement, the North Korean regime whipped the workers in all sectors of the economy to surpass production quotas. Exemplary workers and production units were rewarded with the Chollima titles. The North Korean regime claimed that this movement encouraged innovation and inventions by workers in all sectors of the economy who submitted an ever increasing number of innovations and inventions for consideration. As mentioned earlier, one of the significant developments in agriculture during this period was the completion of agricultural cooperation of all household farms.

The rapid rate of industrial development based on the accelerated expansion of heavy industry was accompanied by an imbalance in economy, expecially agriculture and light industry. Due to such a policy, the annual growth rate of mining and heavy industry recorded 51%(1954), 52%(1955), 27%(1957), and heavy industry appeared as a leading industrial sector.

DECLINE OF GROWTH

In the second stage during the Seven Year Plan begun in 1961 and extended to 1970, saw the implementation of the Chungsan-ri method and the Taean Work System were implemented as basic management guidelines in the agricultural and industrial sectors respectively. The introduction of these methods in 1960 meant the completion of economic top-down system in Korea.

The goals of the Seven Year Plan reflected a transition from reconstruction to a program aimed at full-fledged industrialization, with highest priority to heavy industry. In the view of the structural imbalances acknowledged by the leadership, and existing since the 1950s, the first three years of the plan were to be devoted to improvements in the standard of living, and initial goal was the development of light industry, agriculture, and fisheries, supported by development in chemical and machine-building industries. In the last four years of the plan, from 1964 to 1967, emphasis was to shift to the development of heavy industry, mining, power, metallurgy, metalworking, and other "key" industries along with a continued buildup in the chemical and machine-building sectors. In all, some 58 percent of total state capital investment was earmarked for industrial construction — 75 percent in heavy industry and 25 percent in light industry. About 12 percent of total investment was to be assigned to the agricultural sector where irrigation and mechnizationwere priorities. North Korea set a goal of 18 percent of annual industrial growth, but this target was not reached even during the early 1960s. The annual growth rate reached 15 percent (1961), 7 percent (1962), 8 percent (1963), 17 percent (1964), 14 percent (1962) and averaged 5.6 percent (1966-1970). However the standard of living failed to improve. During this stage, mining and industrial sectors attained 72.2 percent of their goals, the agricultural sector attained 57 percent to 67 percent of its goals, and the fishery sector 50 percent to 70 percent of its goals. Despite the extension of the plan by three years, only coal and electrical output attained set goals. Iron, steel and cement production failed to meet their prescribed targets.

The decline of economic growth was compounded by a decline in foreign assistance. After 1966 increased military expenditures undoubtedly constituted a major handicap to economic development. Taken as a whole, the results of the Seven Year Plan were mixed. On the one hand, substantial progress was made, and production in agriculture as well as both heavy and light industry was higher at the end of the decade than at the beginning. On the other hand, the pace of progress in industrial and agricultural output was slower than planned and much slower than achieved in the 1950s. It appeared that very few of the original production goals were met even with the three-year extension of the plan period. However, despite declining growth, the fifth NKWP Congress declared in November 1970 that North Korea had grown into a strong socialist industrialized country. Kim Il-Sung gave the address, saying,

> The country has been converted into a socialist industrial state.....With the founding of an independent, modern industry and the introduction of modern technology in all the branches of the national economy, including agriculture, our country has finally done away with the economic and technical backwardness it inherited from the old society and has joined the ranks of the advanced countries of the world...[18]

CHANGE AND STAGNATION

The basic task of the Six Year Plan (1971-1976) was to cement the material and technical foundations of socialism and free working people from heavy labour in all fields of the national economy, by consolidating and developing the gains of industrialization and advancing the technical revolution into a new, higher plane.

The main thrust of the new plan thus appeared to be one of consolidation and balance, with virtually no new or major departures from past patterns. In particular the plan concentrated on overcoming two evident problems - capital and labour bottlenecks, and low productivity.

The bottleneck sectors singled out for high priority were the extractive industries, power, and transportation. Labour constraints were to be overcome by technical progress, which was strongly emphasized, and improved labour management. Improved quality of both industrial products and consumer goods was also stressed. For state investment in basic construction under the Six Year Plan, 49 percent was to be devoted to industry and 18 percent to agriculture. Of industrial investment, 83 percent (or 40.7 percent of all state investment) was to be directed to heavy industry and 17 percent to light industry.[19].

During the third stage, North Korea, hemmed in between the Soviet Union and China, reinforced its Juche Idea and launched positive diplomatic overtures to the Third World. Among the significant developments under the Six Year Plan was the government's recourse to the importation of technology and capital from non-communist countries in the form of industrial facilities and equipment. It appeared that such imports were major elements in the effort to increase productivity and quality and the overall technical progress called for under the plan.

North Korea's new access to the West and its introduction of the latest industrial facilities were costly, and led to unforeseen consequence. North Korea found itself entangled in accumulated foreign debts and defaulted on them. Thus, the North Korean economy began to expose its built-in weaknesses.

The Six-Year Plan begun in 1971 was virtually discontinued at the end of August 1975. After two and half years of "shock absorbing," the Second Seven-Year plan started anew in 1978. During the Six Year Plan, North Korea built ships, machines, power stations and other structures in large-scale construction projects. It also constructed its first petrochemical plant. However, these North Korean efforts have brought about imbalances in its industrial sectors, stagnation in scientific and technical progress, high production costs, as well as other problems. The second Seven Year Plan (1978-84) aimed at the modernization of economy, the economization of economic resources, the promotion of foreign trade, the modernization of transportation, and the development of the petrochemical industry. During the Second Seven Year Plan, 60% or more of the goals were attained only in textiles, cement, agrochemicals, and machine tools. As North Korea withheld statistics on other sectors, it is assumed that the performance in these sectors was poor.[20]

APPRAISAL

North Korea has consistently pursued an economic development emphasizing a heavy and chemical industry that is closely related to armament production. Its development policy has increased imbalances among various industrial sectors and has impeded growth. In terms of investment, the ratio between heavy and light industries was 81.1 percent to 18.9 percent during 1954-56, and 82.6 percent to 17.4 percent during 1957-60. This tendency remained essentially the same during the post 1960 period.[21]

In the first half of the 1960s North Korea upheld "the improvement of people's living standard" as a cardinal task of the seven-year plan. In this period, the rate of annual investment in light industry was only 28 percent, as North Korea continued its "parallel course of economic and military construction" in the 1960's. Due to this policy of increasing military expenditures, North Korea found little money left for light industries.

North Korea has recently made an announcement that it is emphasizing the production of light industries mainly producing the daily necessities for the people under various slogans, such as "revolution in light industry," and "revolution in service to people." This campaign, however, seems to have produced no visible positive results.

Somewhat noteworthy is the emphasis on foreign trade

TABLE 2.

INDUSTRIAL GROWTH RATE OF NORTH KOREA
(According to North Korean official data)

Period	Growth Rate(%)
Pre-War (1947-50)	49.9
Three Year Plan (1954-56)	41.7
Five Year Plan (1957-60)	36.6
First Seven Year Plan (1961-70)	12.8
Six Year Plan (1971-76)	16.3
Second Seven Year Plan (1978-84)	12.1*

* Offical Goal

SOURCE : The Economist Intelligence Unit, Quartely Economics Review of China, North Korea, 2nd Quarter, 1985, p. 31

TABLE 3.

ANNUAL GROWTH RATE OF REAL GNP OF NORTH KOREA

(1961-83)

Period	Growth Rate(%)
1961-65	9.7
1966-70	5.8
1971-75	10.4
1976-78	-1.6
1979	3.8
1980	3.7
1981	2.5

SOURCE: Ha-Chung Yon, Bukhanwoi Gyoungjejungchaekgwa Woonyong (Seoul: Hangukgaebalyungoowon, 1986), 24.

which appeared in the 1980s. This contradicts the closed economy principle. Another important goal is technical progress and productivity improvement. This indicates that North Korean leaders have recognized the limitation of extensive economic growth by labor power, and the necessity of technical progress. However, the North Korean government continues to stress the Juche Idea. North Korea wants to secure technical progress through ideological stimulus. As we have observed so far, North Korea pursued economic development plans and achieved considerable economic progress in the 1950's and the early 1960's but its growth rate gradually slowed since the mid 1960's.

This provides a valuable yardstick for the analysis of the North Korean economy. The industrial growth rate reached its peak during the first stage. Despite the Six Year Plan, the growth rate of the post-1960 period was short of the forty percent attained during the first stage. The growth rate of GNP shows a similar trend . It recorded a comparatively high growth rate during the late 1970s.

The North Korean economy certainly requires economic reform. It is evident that in the face of slow growth, and the low living standard, political leaders recognize the necessity for an intensive growth strategy stimulated by technical progress and capital accumulation. Nevertheless, they will not put aside the Juche Idea so long as its political ideology secures the advantages of vested interests.

What is the relationship between the Juche Idea and continuous low economic growth? How does the Juche Idea hamper economic development? The following section discusses the way economic policy based on the Juche Idea impedes the North Korean economy. hAnalysis of the basic elements of the economy — capital, labour, resources, and technology in relation to the ideology can determine the potential success or failure of intensive economic growth.

V. THE IMPACT OF ECONOMIC MODEL

1. EXTENSIVE AND INTENSIVE GROWTH

Over a given period of time, economic growth may be achieved by an overwhelming function of either extensive growth or intensive growth. The early stages of economic growth has strong characteristics of extensive economic growth which is achieved by arithmetically increased input of economic elements. But, as the economy expands, the marginal capital coefficient starts to increase and at a certain point intensive growth begins to be called for

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In a pure form extensive growth appears as the result of proportional increase of extensive growth factors, such as capital, labour, and resources. But intensive growth occurs in accordance with extensive growth, for it is impossible without additional input of capital and qualitative improvement of the labour force.

The economic recession in North Korea can be understood from this perspective. The economic model of the Juche Idea is appropriate for an extensive growth strategy which is essentially based on factor mobilization. The North Korean economy seems to have failed to overcome the limitation of extensive economic growth and to start intensive growth.

Looking back, the extensive growth strategy was seriously pushed until the early 1960s. The first factor of extensive growth was the institutionalization of forced domestic savings, and its allocation to heavy industry. Capital was mobilized through forced savings, i.e., agricultural collectivization, industrial nationalization and price control. These domestic savings were preferentially invested in heavy industry so that it might lead to economic growth. Secendly, the North Korean policy makers drew foreign savings, machinery and technology from socialist countries. Foreign savings (borrowing and grants) reached 1.5 billion dollars (current prices) which were enough to solve the shortage of capital for reconstruction and the nascent heavy industry. China and the Soviet Union built a large number of iron and steel factories, power plants, ports, and chemical factories in North Korea. In addition, North Korea had enough iron ore and water power for nascent heavy industry.

The third factor was the mobilized labour force composed of men, women, soldiers, and students. The expansion of primary schooling and high level of literacy also contributed to the economic development. Despite severe losses of lives during the Korean War and the exodus of people from North Korea to South Korea, a large population remained. Increase of labour-supply was done in two ways. One was to extend the length of working hours. The people worked even on Sundays in the name of patriotic labour, and worked for more than ten hours a day. Each industrial sector, each factory and each man was rationed with task-goals and was expected to meet them. The quality of goods was disregarded but quantity was valued. To induce greater labour contributions, Kim Il-Sung and his followers started the Chollima Movement, and the other way was to mobilize women, service men, and students to increase the size of the working population.

Mobilized elements were disproportionately invested in heavy industry, and the North Korean economy achieved outstanding extensive economic growth. During this period, due to developments in heavy industry and the electric power industry, the annual industrial growth rate reached forty percent and the annual GNP growth twenty percent. The 1950's and the early 1960's saw successful extensive growth. The Juche Idea had turned out to be very effective and useful in mobilizing the labour force, in exploiting resources, and in building up strong military power.

The political utility of the Juche Idea has forced the North Korean leaders to hold fast to these economic principles, even after the mid-1960's, when North Korea stood on the threshold of the intensive growth stage. The key cause of the economic recession in North Korea lies here. In order to preserve their political stability, Kim and his aides have held fast to an outdated ideology and economic model even in the new stage of economic development.

Economic factors, especially the labour force and resources, do not increase indefinitely, and their supply turns out to be more inelastic as the economy develops. The solution to this limitation is to improve labour quality and productivity of the land and resources. This change is impossible without combining capital with technical progress. Unless capital becomes more elastic as the economy develops, the combination of economic factors cannot reach the optimum without technical progress, and marginal productivity diminishes rapidly. As a result, extensive growth without intensive growth cannot help but be faced with a growth-bottleneck. As a Polish economist, G. Pisarski, said,

> For future economic development, to move to the road of intensive growth is essential. We have to remember it on every level of administration. To exploit positively the intensive growth factor is not only to overcome unstable balance of national economy and to accelerate the speed of social development, but to hinder diminishing growth rate of national consumption and to prevent various bottlenecks [1].

Intensive growth is growth through technical progress. Even though it is possible to achieve technical progress domestically, it can be met more easily through contact with highly advanced international economies. The introduction of foreign technology is essential for the North Korean economy, but the Juche Idea prevents external contacts and pursues a self-sufficient economy. North Korea sends students only to socialist countries, and does not invite foreign experts to train North Korean technicians. Printing and interpretation of foreign books is very restricted; moreover, North Koreans cannot possess or read any books, except school textbooks, without the permission of the state. North Korea imports technologies chiefly for heavy industry; economic bureaucrats and managers hesitate to adapt them to the economy. It has no foreign capital to introduce advanced technologies and cannot import optimal and refined knowledge and technologies because of a lack of information on foreign technological markets. Everything is set for them provided that they are loyal to Kim and meet task-goals.

The Juche Idea has prevented the effective imitation and diffusion of new technologies and knowledge. Under the atmosphere of overemphasizing the Juche Idea, the mass-production of communist men and absence of material stimuli, it is difficult to expect significant technical progress. The Juche Idea and the political leaders' attitudes prevent capital flow from heavy industry into light industry, and a low living standard results in the absence of domestic voluntary savings.

In North Korea, the repressed consumption and the profits from state heavy industry represent the near totality of domestic capital sources. Another problem is the lack of foreign savings, due mainly to economic factors such as low credit worthiness, insolvent foreign debt, and the weak absorptive capacity of the North Korean economy. Considering that economic recession was caused by the inflexible operation of the economic model of the Juche Idea and a rigid political system, the Juche Idea is another factor preventing the introduction of foreign savings.

Education based on the Juche Idea has impeded the improvement of labour quality. The goal and practice of education is converged into an inculcation of the Juche Idea in students, and makes light of rationalism, creativity and high motivation which are essential for economic development. The younger generation has very limited information on external societies and find the meaning of their lives in loyalty to Kim Il-Sung. North Korean technicians have lost their way in the international technological market, and economic bureaucrats and managers are absorbed in the aim of enlarging the scale and complexity of firms. Technocrats have a deep understanding of the Juche Idea, but have no corresponding grasp of economic theory.

Policies based on the Juche Idea prevent balanced development between the east and the west in North Korea. Juche prevents the productivity improvement of land and resources by hindering the combination of capital and technology with land and resources. Serious strains have been manifested in transportation, mining and electric power, which are engendered by excessive reliance on railway transportation and hydroelectric power.

In conclusion, the economic model based on the Juche Idea is very successful in terms of factor mobilization, with the exception of introduction of foreign savings, but quite unsuccessful in terms of factor productivity. In other words, the North Korean economy moves from the extensive growth stage to the intensive, but the extensive factors are not combined in a new linear arrangement and intensive factors do not appear. North Korean leaders persist with an extensive strategy of quantitative increase of economic elements and normative appeals to substitute for intensive growth. Extensive factors are eventually exhausted because of inelastic economic principles and rigid economic operations. The economic stagnation of North Korea occurred because the following economic elements - capital, labor, resources, and technology - were distorted by the Juche Idea and prevented a move towards intensive economic growth. In the following parts of this chapter, we will review the failure in moving from the extensive growth to intensive growth more specifically in terms of capital, labour, resources, technical progress and trade. The first three elements will be observed in the aspects of factor mobilization and factor productivity.

2. CAPITAL

CAPITAL MOBILIZATION

Numerous economists have regarded capital as a key factor for economic development. In their model, Harrod and Domar show that economic development is directly dependent on capital accumulation. Theoretically speaking, capital accumulation in a monetary economy consists of two stages, capital mobilization, reserving some portion of monetary income, and capital distribution, to use mobilized capital for production. The function of financial intermediaries is essential in connecting them and the source of capital mobilization is divided into domestic savings and foreign savings. The former consists of voluntary savings, forced savings, and investable surpluses.

Investment is accepted by most observers as the most crucial explanatory variable for China's rapid record of extensive growth. The Chinese communists, soon after they assumed power on the mainland, introduced the Stalinist-type economic system which led to the mobilization of national income for the purpose of investment [2]. By means of nationalized units of production and administered prices and wages, profit accrues to the state as budget revenue. Agricultural prices and raw material prices are set low, while output prices are set relatively high, especially for consumer goods. The Soviet Union under Stalin had developed the economic system and adopted the development strategy to accomplish these same results. It is well known that most developing countries, including communist countries, acquire increased government revenues from their interventionist price policies. Thus, the fact that most governments gain from price distortions confirms that government revenue generation is an objective of price intervention [3]. The difference between the costs of production and retail prices can be set as a turnover tax, as in the Soviet Union, or merely set as a profit markup to the producer, as in China; the result is the same -- indirect taxes that end up in the budget as state revenue.[4] Another distinctive feature of China's budget process, that explains the very high rates of investment, is the extraordinary high share of the budget revenues that were allocated to investment. It is known that approximately two-fifths of the budget revenue was allocated to capital construction [5]. Over 50 percent of the investment in capital construction was allocated to industry, especially heavy industry. In conclusion, the Stalinist and Chinese development strategy involved not only a high rate of investment, the dominant share of that investment being devoted to the expansion of production capacity, but that new productive capacity being concentrated in industry, especially heavy industry.[6]

In the case of North Korea, because income is very low and financial intermediaries are underdeveloped, voluntary savings and capital accumulation by financial organizations do not generate savings. In addition, the size of military spending is another key factor influencing the level of domestic savings. According to US estimates, during the 1970's North Korea spent 15-20 percent of its gross national product (GNP) to build up and maintain its huge military establishment.[7] This represents an enormous diversion of resources into non-productive areas of the economy. This means that much of the increased output has not led to any increase in the stock of productive capacity. Unless this changes, the domestic savings available for industrial investment will remain curtailed. Furthermore, investable surpluses cannot be easily generated through government policy. North Korea can transfer income surplus siphoned from heavy industry to light industry. Capital transfers from heavy industry to light industry, however, cannot support the rigid ideology (the Juche Idea) and Kim's economic view.

We briefly observed voluntary savings and investable surpluses are not appropriate tools in fulfilling a high rate of investment in North Korea. Then, what is the alternative for the state to raise capital? The solutions are forced domestic savings by the government, foreign savings and exports.

Like the USSR and China, the North Korean policy makers collectivized the agricultural sector to institutionalize the imposition of a high rate of forced savings. This is facilitated through either increasing taxes and/or through manipulating price relations between agricultural and non-agricultural goods. In the early stage, the North Korean communists used the former method and by 1966, the latter form became predominant. An agricultural tax introduced in 1946, under which peasants were required to deliver to the government one-fourth of their crops, was first reduced and then abolished by 1966. Such a domestic capital mobilization plan means that consumers and farmers must sacrifice. North Koreans cannot purchase even one or two suits with one-month's salary, or a T.V. set with six-month's earnings. They form lines to buy daily necessities in front of nationalized stores, and to receive food rations. The annual crop production of North Korea records about 5.5 million tons, of which 2 million tons is in rice production. Since it cannot import cereals due to lack of foreign currency, North Korea exports 300 thousand tons of rice every year to import other cereals in order to solve its own shortages of grain. Rice is distributed by a rationing system, and protein sources like meat are not readily available to the people. The social welfare system, including housing and hospital plans, is underdeveloped

TABLE 4.

INCOME IN NORTH KOREA (1985)

(Unit: Won)

Level	Income	
Minister	350	Core party members, Jungmoowon ministers, Top managers of large state-firms
Assisitant Minister	300-330	Party members, Assistant ministers, Provincial presidents
University Professor	150-190	Professors, The first class state-firms
Manager & Engineer	160-180	The second class firms,
Local Administrative	100-150	Presidents of cities & counties
Teacher	60-80	Female laborers.

* 1 won = US$ 2.18 (1985)

Source : 87 Nambukhan Bikyoboonsuk (Seoul: Jayoogonrhonsa, 1987), p176.

TABLE 5.

NORTH KOREAN MILITARY SPENDING
AND MILITARY CONSTRUCTION, 1961-80

	Military spending (% of national budget)			
Year	Official report	Estimated amount	Annual increase	Military construction (% of military budget)
1961	2.5	40.2	n.a	25.1
1962	2.6	40.4	17.2	25.5
1963	1.9	41.5	14.0	27.4
1964	5.8	42.3	15.1	28.6
1965	8.0	44.9	7.9	30.5
1966	10.0	44.9	2.7	30.8
1967	30.4	41.5	2.2	25.5
1968	32.4	43.5	27.8	26.4
1969	31.0	42.1	1.5	26.2
1970	31.0	42.4	19.6	26.3
1971	31.1	42.4	4.6	
1972	17.0	37.8	5.0	
1973	15.4	34.2	1.9	
1974	16.1	35.8	21.6	
1975	16.4	36.4	19.6	27.2
1976	16.7	32.2	10.8	
1977	15.7	34.9	1.5	
1978	15.9	35.3	11.9	
1979	15.1	33.6	9.3	
1980	(14.5)	32.2	6.8	

SOURCE: Yong-Gyu Kim, Bukhan (September 1980), 66-79.

and inaccessible. For example, only 60 percent of the population have their own houses and new couples have to live separately for two or three years after their marriage in order to get a house.

In the agricultural sector, there are certain limitations in mobilizing capital through agricultural surpluses in North Korea. Arable land is limited and feeds a comparatively large population. Cultivated acreage per household is no more than 1.6 hectares (1970) and the population growth rate is 2.8 percent (1970). Secondly, because North Korean agriculture is a collectivized, self-sufficient agriculture system, cash-crop agriculture and nonfarm activities, e.g., agro-business, are insufficient to increase rural income. Moreover, as in other developing countries, price distortions in agriculture result in low productivity and slow growth. The World Bank report demonstrates that the agricultural sector in developing countries is being taxed through price intervention measures.[8] As a result, agricultural output in less developed countries is smaller than what it would be in the absence of distortions. John Fei and Gustav Rains asserted that there is a hidden savings potential in peasant agriculture and this is an important source of savings for growth.[9]. They constructed a model of the movement of surplus agricultural workers to capital formation without loss of agricultural production. However, this model cannot apply to the North Korean agriculture system because their two fundamental assumptions are not valid in the case of North Korea. First, even though marginal productivity is low and a labour-surplus economy exists in rural areas, North Korean workers cannot migrate from rural areas to urban areas without the permission of the state. Additionally, economic theories of internal human migration conceive the process as a response to differences in employment opportunities between regions and the relative income opportunities in rural versus urban location.[10] In North Korea, these separations are more serious than other developing countries and only "the privileged" and "loyal people" are permitted to dwell at Pyongyang. Furthermore, North Korea lacks food-stuffs. So, although food available per family member remaining increases as the government lets some rural workers move to other sectors, increased food-stuffs cannot be efficiently transferred from agriculture to the industrial sector. Such situations show that North Korean agriculture cannot support industry unless the state displaces agricultural products to industrial sectors by force, at the expense of the agricultural sector. This situation is more explicit if we notice the low productivity of the rural population. During the 1960's, between 57.8% (1961) and 51.3% (1970) of the total population was involved in agriculture. However, the highest weight of agriculture in the GNP, was no more than 28.9% (1960). Under this situation, capital accumulation by agricultural surpluses is difficult.

In North Korea, a differential price policy enables trading companies to earn profits, which are then paid into the state budget and become a source for financing investment and other government expenditures. Industrial nationalization provides a means through which net earnings of state enterprises are automatically placed at the disposal of the government and become sources of budgetary revenue. Since the 1970s, the North Korean government has allowed use of some portion of net profits to each enterprise. However, despite this policy, most net earnings of government enterprises are still transferred to the state budget.

The state budget has played the pivotal role in financing the North Korean economy. In North Korea, approximately 50 percent of the budget revenue has been allocated to the development and operation of the economy (referred as "financing the people's economy"), while about 20 percent of it has been used for military expenditures. Approximately 44 percent of "financing the people's economy" expenditure was allocated to fixed investment in the early 1960s, while in the 1970s the rate of fixed investment recorded 65 percent.[11] This new productive capacity has been concentrated in industry, especially heavy industry. It is estimated that heavy industry has continually received approximately 40 percent of the total fixed investment (this rate dropped to 20 percent during the Six Year Plan according to the statistics of the National Unification Board. (see table 7)

As a result, the majority of the transaction benefits comes from the industrial sectors, especially heavy industry. However, the heavy industrial products of North Korea are not competitive in the world market and do not show economies of scale in the domestic market, except in the military sector. In the case of nations which start their industrialization late, the role of export has become more important and direct as an instrument of capital accumulation. Trade allows the introduction of necessary resources and technology and sells produced goods. Basically, North Korea, declaring a self-sufficient economy, restricts imports to a limited number of goods which cannot be supplied domestically. Exports only function to keep a balance with foreign currency needed for imports. North Korea's industrial goods, being of poor quality, are attractive only in third world countries. Due to the above causes, the amount of trade reached 1.64 billion dollars for exports and 1.71 billion for imports in 1980, at most.

R. Darnberger observes that China's planners not only implemented a rigorous Stalinist-type, big-push program of extensive economic development. They also sought to achieve that development while pursuing a policy of self-sufficiency.[12] However, he also observes that the pattern of China's economic development and development strategy were determined, a significant extent, by developments in China's foreign trade, capital introduction from outside, and the import of foreign technology. In the case of North Korea, the importance of foreign savings is much greater than in China.

Foreign savings mean capital investment introduced from foreign sources. This includes free aid, debt, and foreign direct investment. Since it is difficult to expect sufficient domestic savings, North Korea cannot help introducing foreign savings to compensate for economic ups and downs. For example, the total investment needed for the ten projects of the Second Seven Year Economic Plan (1978-1984) was worked out by South Korean analysts at US $24 billion, of which they calculated about US $10.5 billion would be available from domestic savings (at current prices). If this analysis is correct, North Korea had to borrow or earn US $13.5 billion through foreign savings and exports during that period.[13]

The importance of foreign savings in the North Korean economy can be noticed in terms of investment. The amount of total investment recorded was about 770 million dollars (U.S. dollars at current value) between 1954 and 1960, and reached about 7.5 billion dollars (U.S. dollars at current value) between 1971 and 1976. During these periods, North

Korea introduced foreign savings of about 1.4 billion dollars (1954-1960) and 1.9 billion dollars (1971-1976), and they were 179.9% and 25.4% of the overall investment.[14] By contrast, during the 1960's, the total amount of investment was about 410 million dollars, of which 8.1% was supplied with foreign savings. (refer to tables 6, 7, 8)

North Korea achieved considerable economic growth during the post-war reconstruction period(1954-56) and the Five Year Plan era(1957-60) due to the progress of heavy industry and comparatively high progress during the early Second Seven Year Plan period(1972-74). The economic success of the first stage was due mainly to free aid from socialist countries and that of the early 1970's was possible because of foreign debt borrowed from Western capitalist countries. From 1945 until 1980, financial aid for North Korea reached 2.95 billion dollars (current prices) from the socialist camp; 1.97 billion dollars of that was foreign debt (67%) and 0.98 billion was free aid (33%).[15]

Most of the aid was provided during the 1950s, with 80% of the total in free grants. Due to such abundant foreign savings, North Korea could achieve considerable economic development after the Korean War and its industrial growth rate, according to the official report of North Korea, reached 78% between 1953 and 1959.

TABLE 6.

FOREIGN SAVINGS OF NORTH KOREA
(1945-1978)

(Unit: U.S.$ 1000 at current price)

	USSR (A)		China (B)		Eastern Europe (C)	Total
	Debt	Free Aid	Debt	Free Aid	Free Aid	
1945-60	35,000	731,250	157,500	456,000	465,270	1,845,020
1961-70	314,000	-	29,000	-	35,000	378,000

	USSR (A)		China (B)		Eastern	Western	Total
	Debt	Free Aid	Debt	Free Aid	(A+B)	Debt*	
1971	129,000	-	3,000	10,000	142,000	53,000	195,000
1972	110,000	-	-	50,000	160,000	205,000	365,000
1973	15,000	-	-	40,000	55,000	357,000	412,000
1974	6,000	-	-	60,000	66,000	491,000	557,000
1975	}139,000			120,000	2259,000	9,200	397,000
1976		-	-			28,000	
1977	-	-	-	-	-	8,000	8,000
1978	43,000	-	-	-	43,000	-	43,000
Total	442,000	-	3,000	280,000	725,000	1,234,000	1,959,000

* Western Countries are Japan, West Germany, France, Austria, Sweden, Denmark, The United of Kingdom, etc.

SOURCE : Bukhan Moonjeyonguso, Bukhan Pyonlham (Seoul: Buhan Moonjeyonguso, 1983) 657-682.

TABLE 7.

INDUSTRIAL INVESTMENT TREND
(1956-1976)

(Unit: North Korean Won,%)

Period	Total Invest (0.1billion Won)	Industrial Portion (%)	Portion against Total Industry Light(%)	Heavy(%)
Three Year Plan(54-56)	8.1	49.6	19	81
Five Year Plan(57-60)	11.7	55.0	17	83
First Seven Year Plan (61-70)	107.2	56.1	21	79
Six Year Plan(71-76)	166.1	18.7	17	83

SOURCE : Guktotongilwon, Nambukhan Gyonhjehyobneumbangahne Gwanhan Ichayongu (Seoul: Guktotongilwon, 1982), 10.

TABLE 8.

FOREIGN EXCHANGE RATE OF NORTH KOREA

North Korea Won / US Dollar

1949-72	1973-74	1975	1976-77	1978	1979	1980
2.57	2.37	2.05	2.15	1.86	1.79	1.70

SOURCE: Guktotongilwon, 11.

Table 6 shows North Korea received 500 million dollars from the USSR, 500 million from China, and 400 million from East European countries, most of which was free aid. During this period, the Soviet Union organized COMECON to develop economic integration in the socialist camp and international specialization. The Soviet Union demanded that North Korea develop and export agricultural and fishery goods. North Korea rejected this proposal and developed instead the manufacturing industry, centralized around heavy industry. It turned to China after the 22nd Soviet Communist Party Congress of 1961 and became estranged from the USSR. Such disputes with the USSR caused interruption of economic aid for North Korea and the First Seven Year Plan started to suffer a decelerated growth trend, partially due to a shortage of funds.

The Soviet Union and China reopened their support for North Korea between 1971 and 1976. It is notable that the Soviet aid (about 400 million dollars) took the form of a loan (debt) whereas Chinese aid was mainly free. Both of them curtailed their economic aid for North Korea considerably in the late 1970's. The capital accumulation of the early 1970's was possible on account of foreign debt (about 1.2 billion dollars) from the West as well as from the USSR and China.

It seems that due to active introduction of foreign savings, the period of 1971 to 1975 recorded a 10.5 percent increase in GNP, 16.3 percent growth in industrial products, which represents a higher rate than during the 1960's.

The considerable economic growth of the 1950's and the early 1970's share a common explanation, namely that both were the result of the development of heavy industry and the energy industry. Foreign savings and construction support from two communist countries centered on cement, iron and steel, and electric power, which led all economic growth during the 1950's. Foreign capital from the West during the Six Year Plan period was preferentially invested in heavy industry and for social overhead capital. During this stage, several ports (Najin, Shinpo), power plants (Pukchang, Chungjin, Woonggi), the mining industry, the non-ferrous metal industry, heavy industry (Kim Chaek iron and steel mill), and the petrochemical industry were built, to lead national economic growth.

In the 1970s, the North Korean leaders took as their political goal to display their system as superior to that of South Korea, and to finish the Six Year Plan ahead of schedule by importing foreign savings and technology. These political goals caused the introduction of too much foreign currency and the importation of plants and goods beyond North Korea's solvency, which resulted in a debt-crisis and a chronic trade deficit. Apparently, North Korea planned to pay for the expanded imports by raising its exports of minerals, but international prices for minerals fell sharply after 1974. In this connection, it is significant to note that though industrial development requires a flow of modern plants and technology from abroad, North Korea's industrial strategy is not capable of developing domestic industries competitive enough to earn foreign exchange. The debt problem demonstrates the inherent weakness of the closed system that North Korea has set up during the past forty years. The more a country is in need of modern technology and equipment, the more binding its foreign exchange constraints under such a system.[16]

Since it was now difficult to attract further foreign loans, North Korea turned to China and the Soviet Union for economic aid. Yet, the response from the two countries disappointed North Korea and as a result, North Korea could not help substituting goods. The labour force was mobilized to mine coal, iron ore, and ferrous metal resources. However, North Korea suffered its lowest economic growth rate through the late 1970's and the 1980's. To overcome the shortage of funds, North Korea enacted a joint-venture law in 1984 and tried to accumulate capital through foreign savings. North Korean authorities hoped to revitalize the economy suffering from cumulative economic problems and rigid political ideology with this law, and it was notably similar to the Chinese open-door policy. The joint-venture law is a new approach to introduce foreign direct investment, with no burden of refund, and as such, is different from foreign debt.

The joint-venture law limited the extent of investment to five sectors including manufacturing, construction, transportation, scientific technology, and the tourist industry, but, joint-investments undertaken over the past four years have been minimal. They total only three: the construction of Korea Hotel with French Investor Bernard Campenon, Nakwon Department store and Kim Man-Yoo Hospital with Japan.

The possible incentive North Korea provides for foreign firms is low cost, but the political situation of North Korea makes it difficult for foreign firms to mobilize the labour force and prohibits North Korea from introducing pre-conditions for an open-door policy such as individual ownership and a market mechanism. Also, the imbalance between the self-sufficient economy principle and open-door policy tends to shrink investment possibilities. On the other hand, North Korea has emphasized repeatedly that joint-investment and the open-door policy can progress as long as they do not threaten political stability. In addition to the above negative factors, North Korea has very poor credit with the West and no official diplomatic relations. There is therefore no business confidence in such a declaration by the North Korean government. Without abandonment of the Juche Idea and economic reform, the joint-venture law does not seem able to provide a new capital accumulation for North Korea. The number and types of joint investment during the past years illustrates the limitation of this law.

The preceding analysis shows that capital accumulation by foreign savings is a very important factor in North Korea's economic development because of its insufficient domestic savings. This means that the self-sufficient economic principle of the Juche Idea is a conditional factor standing in the way of capital accumulation and economic development. North Korea's two historical economic booms were led by heavy industry and social overhead capital, upon which the authorities centralized investment. Unbalanced investment certainly prohibits sound and balanced economic development in North Korea. This phenomenon is a result of the Juche Idea - the emphasis on heavy industry - and shows that political decisions dominate the real economy. Finally, after foreign savings failed to result in continuous economic growth, the self-sufficient economic principle became reinforced even more rigidly across the national economy. The First Seven Year Plan and the period between 1977 and 1984 conform to the stage of aftermath. The economic recession reinforced the tendency to rely on ideological mobilization, which in turn, by its rigidities, exacerbated the economic recession. The Juche Idea perpetuates a vicious cycle of economic crisis. We will demonstrate this vicious cycle more specifically later.

CAPITAL PRODUCTIVITY

To focus on the relation between capital and economic development, we need to consider the implications of the marginal capital coefficient. We call the ratio of national income (Y) to capital stock (K) the average capital coefficient (K/Y). The amount of increased capital stock during a certain time (^K) divided by increased productivity during the certain time (^Y) is called marginal capital coefficient (=capital coefficient ^K/^Y).

In the early stage of economic development, an economy develops as much as an arithmetically increased investment of labour, resources, and capital, but it is impossible to increase the supply of these continuously. At a certain point, the capital coefficient starts to increase, which means additional supply of product factors does not arithmetically cause economic growth. Labour and resources being limited, the rate of additional capital per unit of economic development grows more and more. In the case of the USSR, the capital coefficient has increased geometrically from 3.5 (1965-70) to 5.2 (1971-75) to 6.0 (1976-80) (17). Although North Korea has not publicized this data, its tendency is likely to be similar to that of the USSR. This suggests that capital is one of the most essential factors for successive economic development in North Korea. As mentioned before, the economic model based on the Juche Idea stresses human resources as the pivotal factor for economic development, and prevents North Korea both theoretically and in practice from introducing sufficient foreign savings and mobilizing abundant domestic savings. Since there are constraints to increasing labor, raising the rate of foreign saving is an alternative to overcome an increasing capital coefficient.

This flaw does not mean the mass-line was absolutely useless for economic development. The mobilization of labour power by strong centralized control and effective activity of social groups was the main factor of economic development during the 1950's. The problem is North Korea's stubborn maintainence of the mass-line even after the mid 1960's when the capital coefficient seemed to start increasing. So long as Kim Il-Sung and the NKWP dominate North Korea with the Juche Idea, the chance of economic development occurring through capital accumulation seems minimal.

Since the marginal capital coefficient increases, the linear arrangement of economic elements-capital, labour, and resources- cannot generate economic growth. Technical progress is needed here, which can increase productivity, but intensive economic growth characterized by technical progress is impossible without additional input of capital. North Korea has suggested technical progress as a key-goal of every plan since the 1960's. The blue print of the Third Seven Year Economic Plan announced in 1987 emphasized that eighty percent of industrial product growth should be attained through the improvement of productivity. This strategy means North Korea recognizes the limitation of economic growth dependent on only the labor force and forced domestic savings. However, North Korea has not shown any positive political volition and it has not produced any policy alternative that would encourage technical progress.

For the past years, North Korea has tried to improve labour productivity through the Chollima Movement, the Chongsan-ri Method, the Taean Work System, and the Three Revolutions Teams Movement. None of these have seemed to improve the linear arrangement of economic factors in order to accumulate capital. Instead, they have strengthened an extensive growth policy dependent on the labour force.

3. LABOUR

LABOUR MOBILIZATION

In the continuing quest for rapid industrialization, North Korea has faced many problems that in some cases are aggravated by its very successes. One of them is the problem of labour shortages. Labour has been widely discussed as a very scarce resource, especially for the countryside. It seems that North Korea's relatively small population has imposed a limitation on the pace of industrialization. However, the author does not believe that the size of the North Korean population has imposed any limitations on the economic development, considering the scale of the North Korean economy. The population in 1985 was estimated at 19.76 million for North Korea and the population growth rate was 2.23 percent per annum. The economically active population was estimated at 8.52 million, 43.1 percent of the total population, and the labour force participation, a rate applied to the people over 14, was 65.4 percent [18]. The size of the GNP was, in 1985, 15 billion US dollars (current prices). Comparing these major indices on the population and the GNP with those of Asian Newly Industrializing Countries i.e., South Korea, Taiwan, Hongkong and Singapore, it seems difficult to say that labour is a very scarce resource for economic development in North Korea. The labour shortage is aggravated not by the relatively small size of population, but by the low labour productivity and the military buildup. In the case of the military establishment, the KPA includes 830,000 regulars and over 100,000 garrison troops. This indicates approximately 11 percent of the economically active population is working in this non-productive sector. North Korea's economically inactive population should be large considering about 110,000 inmates in concentration camps and prisons. Whatever the basic causes of labour shortage, the North Korean leaders have complained that labour is very scarce and have introduced a strong series of measures in order to overcome the problem.

The leadership, soon after the Korean War, launched national drives for longer working hours in many sectors of the economy. Officially, the daily time table of the people in North Korea consists of ten and a half hours of work and four and a half hours of studies and readings on the Juche Idea.[19] Despite the law providing for six workdays per week, people usually go to work on Sundays in the name of patriotic labour, loyalty labour. This 'extra work' is a basic method of the mass-line for economic development in North Korea. Another factor causing the quantitative increase of labour in addition to long work hours is the increase in the economically active population. North Korea uses female labour power very systematically.

The Socialist Labour Law prescribes labour as a duty for all people. North Korea suffered a shortage of male labour, which was triggered by the increase in labor demand due to increased economic development and an expansion of military power. In August, 1953, Kim Il-Sung gave an address titled "To solve the shortage problem of labour force for the people's economic reconstruction and development in the post-war period". Here, mobilization of the female labour force was officially mentioned for the first time. In this address he said,

> As more women join the labor force, we will substitute and enlarge our labor-front.... We have to substitute the female labour force for them (male force) in light industry and office-organization. We have to use women's talent.[20]

Between 1953 and 1958, the female labor force increased 100 percent and has augmented successively from that time on. The Fifth Party Conference of 1970 decided to set women free of the kitchen and send them to industrial spots. All women have jobs and they send their children to nationalized daycare at 8:00 A.M. when they go to work and return to take them home at 7:30 P.M. in the evening. North Korea, under the slogan "To emancipate women from house chores," built many "meal-factories" and "side-dish factories" to distribute every meal. All women are forced to study the Juche Idea for two hours a day and work for nine and half hours a day.

Students and the elderly population are also mobilized for economic development. Because there is no practical retirement criterion, the aged must work for food. Education consists of regular curriculum, Juche Idea study, military training, and labor-mobilization. It is also encouraged that every student should join social organizations in order to participate in extracurriculur activities.[21] In 1959, North Korea stipulated students' labour as a duty by law and mobilized it through the social organizations like the Boy Organization (BO) and the Socialist Labour Youth Organization (SLYO). North Korea finds it to use students to compensate for the shortage of labor because they are more self-sacrificing and are better trained in the Juche Idea than are laborers. Furthermore, students are not paid.

High school students participate in economic development for six to eight weeks annually, through the SLYO, and college students are active for ten to fourteen weeks per year. They are pushed to achieve double the assigned task goal at factories, firms and farms, and to work fifteen hours a day.[22] Students are stationed at industrial factories and farms for agricultural support (rice-planting, construction of irrigation system, harvest), economic development (construction of towns, railways, power plants, and machine-assembly), and party agitation and propaganda activities.

North Korea has mobilized female and student labour and has adopted long-work-hours to increase labor power, which is fundamental to the North Korean economy. To overcome the diminishing labour productivity, North Korea has reinforced its ideological education and control-surveillance organizations. Due to this policy, North Korea was able to maximize labour mobilization.

LABOUR PRODUCTIVITY AND EDUCATION

Kindleberger emphasized the importance of quality in labour as he compared the next two cases.[23] The first nation is one in which material capital is destroyed, but a well-educated and enthusiastic labour force is maintained, and the other is a nation in which the good labour force is not similarly equipped despite modern facilities. The former can restore facilities in a short time. Germany and Japan after W.W. II are such examples. The education of people takes a much longer time than the construction of an iron and steel plant with well-trained labour.

The quality of labour correlates to labour productivity. North Korea does not publish any data on labour productivity, however, the trend may be approximated as follows. According to the available data, the total number of workers, 3,211,000 in 1960, had increased to 5,002,000 in 1970. The North Korean GNP during the same period increased from 3.17 billion won to 7.11 billion won.[24] If we use the per capita GNP to estimate the broad trend of labour productivity, it can be said that the annual growth rate was about 3.7 percent, which is rather a low rate that reflects the low level of technology used in the industrial sector. If we consider the average growth rate of the 1960s, we can observe that the economic growth was done mainly due to overinvestment by domestic savings and the mobilization of labour force, rather than the improvement of productivity.

Labour productivity is closely related to education. Recent educational works suggest that schooling, especially primary schooling, increases productivity in all sectors of the economy and that the economic returns to investment in primary education are in many countries considerably greater than those arising from other levels of schooling. In addition, primary schooling facilitates the attainment of other objectives of social policy, particularly in the fields of fertility control, improvements in health, nutrition, literacy and communications, and the strengthening of national culture.[25] The evidence further shows that subsequent efforts to raise school quality by upgrading teachers and school resources are also likely to result in high economic returns in most poor countries. The need is great for teacher-training facilities, for school books and equipment, for innovation with regard to school curriculum, and for money to pay teacher's salaries.

North Korean statistics show that primary schooling covers almost 100 percent of the eligible age group and that there is no illiteracy. Considering this situation with the investigation on the effect of primary schooling, we can assume that the rapid economic development of North Korea is closely related to expanded primary schooling in North Korea. That is, some minimum level of education has been satisfied for economic development. It is known that school teachers are paid comparatively high wages in North Korea and they are regarded as a part of the privileged class (26). However, despite these developments, the rates of enrollment for universities are sharply decreasing and matriculation for this level of schooling is usually decided by socio-economic background, rather than school-related factors. Thus, there have been constant complaints about the shortage of high-talent personnel or about a shortage of these with the proper skills and training. Accordingly, even though the North Korean economy contains sufficient laborers who can read and write, it lacks laborers who possess high technological and professional knowledge. The serious strain on education also comes from the goal of schooling and school resources, e.g., the content of curriculum, school books and school equipment.

According to the communists, the communist revolution is a total revolution aiming to establish a new society and a new way of life. The old society breeds individualistic and selfish persons motivated by feudalistic and bourgeois loyalties; they think of individual benefit and personal ambitions. Their narrow family loyalties encourage selfishness and the neglect of what is good for the general public or the state. The new communist man must be a collective, utterly selfless and ever mindful of his obligations to the revolution and the communist party.[27] Chen summarizes that the model man, envisioned by the communist planners, possesses absolute selfless obedience to the communist party and class consciousness.[28] Another essential ingredient of communist man is his initiative and inventiveness, his willingness to experiment, to innovate and to try out new things. Very significant policy consequences follow from this vision of communist man. The stress on "man over machines," "men over weapons" or "better red than expert" follows logically from the above vision of communist man.[29] This communist man, once imbued, indoctrinated, and committed, can become a source of tremendous energy and consciousness which can conquer nature and overcome virtually all obstacles. To populize the attributes of the new man, the state selects model citizens from various walks of life-model workers, model peasants, model women, model youth, and asks the masses to emulate a "model." Another major method of remodeling the masses is "thought reform," commonly referred to as "brain washing." The goal and function of the North Korean school education is best expressed in the statement,

> Under socialism, school is the center of revolution and the important position of cultural revolution. The goal of socialist education is to bring up the new generations as communists, and national cadres according to basic principles of socialist education.[30]

Kim Il-Sung emphasized the education of students to produce new communist men who adhere to the principle of the party's unitary ideology, class consciousness, the Juche Idea, the principles of integrating theory with practice, and the principle of revolution. Apparently the North Korean regime regards the sociopolitical dimension of education to be more valuable than technical expertise as a means to of economic development.

Despite small differences, every level of school teaches the regular courses, Juche Idea courses, military training, and labour education. But the regular curriculum also inculcates to loyalty to Kim Il-Sung, war-consciousness, and the cult of socialism. Primary and middle schools emphasize regular courses and the Juche Idea, whereas the high schools and the colleges emphasize the Juche Idea and professional education. For high schools, teaching the theory and practice of the Juche Idea occupies sixty-five percent of the entire teaching time.[31] Some portions of regular teaching are also used for political ideology and party-policy. The college curriculum is classified as teaching political ideology courses for the freshman year, regular courses for the sophomores and junior years, and teaching professional knowledge for the senior year. Students are matriculated according to their family, loyalty to Kim, party-consciousness, and class consciousness. Because regular courses pertain more to the Juche Idea and party policy than to pure learning, it is difficult to produce technicians and scholars.

In addition to this, students are forced to take military training courses. Low-level schools offer military theory courses and a fifteen day camp-enrollment course every year. High school students learn military theory for 120 hours and go to military camp for 168 hours per year, while college students take 240 hours of military theory course and 445 hours of camp training. In addition, college students form university-military organizations controlled by the NKWP and need to pass a synthesized military test for graduation.

The educational authority emphasizes the teaching of political ideology through educational social organizations like the Boy Organization (BO) and the Socialist Labour Youth Organization (SLYO). The main activity of the BO and the SLYO is to teach the Juche Idea and the party policy and then to reinforce them through collective activities, such as the "500 Km way of learning" to visit the spots of Kim's revolutionary history and collective labour education.

Political ideology also emphasizes social education through the Professional Union, the Women's Union, and the Factory Colleges. The Factory Colleges are notable and unique as social education organizations for adults. They were started in the 1960's for the purpose of teaching technology. There are 77 factory colleges across the nation and factory colleges make up 41 percent of all colleges in North Korea. The students of these colleges work during the daytime and go to college at night, but the facilities are not well-equipped and are often too old. Even in these professional schools, teaching technology occupies only forty percent of the entire teaching time. Political ideology, of course, is another key-course in these schools.

North Korean education gives the first priority to teaching the Juche Idea and ignores economic rationalism and the creativity for economic development. Professional education is neglected when compared with ideological education. Furthermore, educational organizations are not equipped with facilities, books on updated scientific innovation, or well-trained faculties. Under these circumstances it is difficult to produce highly qualified labour. Even though middle level labourers, who graduated from a high school level, are said to be essential for economic development in developing countries, high schools in North Korea possess managers and technicians who have such a poor educational background that their pupils are often incompetent. An editorial of Rhodong Shinmun on December 12, 1986, strongly asserted that cadres and officials are not accustomed to modern technology and every worker should become armed with the party policy and modern scientific technology. A representative of Heungnam chemical factory, who attended the compilation committee of the 1987 budget, criticized the failure of the labour mobilization and managers' ignorance. A representative of Leepal cement factory also made the criticism that workers only want the state to introduce new equipment for factories but do not improve their individual abilities. North Korea has built huge industrial complexes, such as Soonchun complex, Shariwon fertilizer complex, and Taean heavy machine complex. All industrial processes of material supply, production, transportation, and marketing in a complex are integrated into a single branch of business administration. The problem lies in how some managers can control and operate various kinds of factories in an industrial complex.

Labour productivity demands more than a professional and technological dexterity. The positive way of thinking, frugality, the team-spirit, and the concern with production are other aspects of labour productivity. If we consider the comments of some North Korean soldiers on allegiance, North Koreans are believed to have a passive and negative pattern of thinking because of the successive labour mobilization, rigid ideological study, lack of material incentives, and hierarchical society denying rationality and creativity.

In North Korea, with quantitative labour power being overcome, to some extent, due to long-working-hours and mobilization of women and students, the labour force is of deficient productivity. The Juche Idea takes a great role in increasing the labour force quantitatively as ideology itself and theoretical ground of the mass-line. On the other hand, it hinders the improvement of labour quality because it perverts the education and the social-psychological attitudes of the people. Quality of labour is certainly a conditional factor of intensive economic growth, because innovation is impossible without professional, rational and creative men and women.

4. RESOURCES

RESOURCE MOBILIZATION

North Korea is a mountainous country, with 16.9 percent of its territory under cultivation. Although its harsh climatic and geographical environment tends to discourage agriculture, North Korea is well endowed with water power and mineral sources except for petroleum, bituminous coal, and natural gas. The output of anthracite coal, iron ore, lead, zinc, tungsten, graphite and magnesite is considered to be significamt. North Korea imports only oil, bituminous coal and some copper for the war industry. Because of its environment, the Japanese colonial government built heavy industry in North Korea during its war against China and developed South Korea as an agricultural area. It is well known that North Korea has abundant water power, and the electric power industry is one of the most highly developed industrial sectors. The facilities associated with electric power constitute one of the largest capital assets in the industrial sector, estimated in the mid-1970s at an equipment value approximately of US$ 1 billion. Economic development centered around heavy industry should be evaluated as an appropriate choice in the aspect of resources and old industrial grounds built by Japan.

According to the analysis of a South Korean agency, North Korea can domestically supply 25 percent of the total needed mining resources.[32] North Korea is known to have begun to import iron ore from India and to be completely dependent on imports of oil and bituminous coal.[33] The rate of self-sufficiency and import of crucial mineral resources for heavy industry shows the limitations of the self-sufficient economy. Furthermore, continuous emphasis on heavy industry seems to demand more imported resources.

Oil is a key element for modern economic development. Seventy-seven percent of the energy consumption in North Korea is dependent on coal, and the North Korean authorities have tried to substitute for oil with coal and water power produced domestically.[34] North Korea consumes about 3.8 million tons of oil annually, and has two oil refineries (Wongki, Paekmili) and a petrochemical plant (Chungnyeoun). The oil dilemma of North Korea is a unique and good example showing problems of an energy economy.

North Korea depends very highly on China and the USSR for oil. These two countries, however, have never supplied enough oil for the North Korean economy and have frequently used oil as a political instrument to interfere with the domestic politics and diplomacy of North Korea. As a result, North Korea has tried to curtail its oil dependence on China and the Soviet Union. The first way was to substitute other forms of energy for oil. North Korea has replaced gasoline-cars with charcoal-gas cars, and substituted gas-boilers with coal boilers. Another way was to diversify its petroleum sources to include Indonesia and the Middle East, and to buy oil at spot-markets like Indonesia and Singapore.

North Korea could not import oil from other countries except Iran, because most oil-producing countries doubted the solvency and national credit of North Korea. Furthermore, the annual capacity to transport oil was reduced to less than 0.6 million tons after the biggest North Korean oil carrier, the Sunbong Ho (100,000 ton), was sunk by an Iraqi attack in the Persian gulf in 1985.[35] Even after diversifying its oil-sources to include the Middle East, South East Asia, and Central America, North Korea cannot import more than one million tons of oil annually. In reality, North Korea imported only two million tons of oil from Iran despite the oil-supply contract of four million tons between 1983 and 1985. North Korea rationalizes and overcomes the oil-shortage in the name of the Juche Idea, which was generated by economic (needed foreign currency, poor credit, etc.) and political causes (Chinese and Soviet attitudes toward North Korea). The lack of oil increased the transportation burden of the railroads and hindered the road-connection between the east and west industrial areas. The railway system in North Korea is electrified with water-power. Consequently, North Korea retreated to closed economy from international trade and it strengthened the economic principles of the Juche Idea once again.

RESOURCE PRODUCTIVITY

"Siginificant strains" have been manifested in three interrelated areas - transportation, mining and electric power. The crux of the transportation problem lies in the failure of North Korea's transportation capacity to keep up with the growing demands of industrialization and the lacks of connections between east-west industrial complexes. Since raw materials and other factors of production cannot be transported in a timely fashion from their places of origin to factories, the latter cannot be run at full capacity.[36] Compounding the situation is the failure of mining industries to keep abreast of processing industries. In other words, not only does the supply of iron and nonferrous ores fall short of the demands of North Korea's processing industries, but what is available is not being distributed promptly, due to serious bottlenecks in North Korea's transportation network.[37]

The geographical separation and economic distinction of the east-west industrial area are other factors compounding transportation problems. Because most mineral resources and water power are located in remote inland areas, the mining industry is developed in Hamkyung province along the east coast. In the case of iron ore, Moosan, located in the inland Hamkyung province, produces more than fifty percent of the total of 12 million tons annually. Other major-mining sites are also located in this area. The Huchun, Boochun and Jangjin rivers supply abundant electricity. Because of such geographical advantages, major iron and steel plants were built along the east coast of Hmakyung province, such as Kimchaek, Songjin and Chungjin.

By contrast, the machine tool industry and motive-power industry, which are the leading and most advanced industrial sectors, were developed along the west coast of North Korea, such as Nampo, Pyungyang, and Shinwuijoo. Consequently, steel materials produced at Kimchaek steel mill must be conveyed to South Pyungahn Province to be processed into final consumer goods.

In 1983, 72.9 percent of the total energy supply came from coal, 12.3 percent water power, and oil recorded 10 percent. North Korea has rigorously restricted the import of oil in the name of the Juche Idea, and replaced a transportation system powered by diesel and gasoline with a kinetic system using electric power and coal.

Road transportation using oil cannot improve and the railway transportation using electric power and coal was developed instead. Since the 1970s, ninety percent of freight transportation has been done by train, because the development of road, sealane, and aircargo has been delayed. Since railway facilities are old and often passes through high mountains, railroad transportation cannot convey all the freight in time. To overcome this constraint, North Korea named 1975 as the year of transportation and 1977 as the year of the transportation line, and has given strong emphasis on railway transportation as a key goal of economic plans.

There is also a serious shortage of electric power. Here again the available supply of electric power lags considerably behind the demands of industrialization. A major contributing factor has been droughts, which hamper the operation of hydroelectric power stations - believed to account for two-thirds of electricity generated in the country.[38]

Moreover, concentration on hydroelectric power requires a much larger investment than is necessary for an equivalent thermal base. Sites of hydroelectric stations are often at considerable distances from consumption areas, and spanning the country with high-voltage lines adds considerably to costs. Electric power has, therefore, consistently been one of the major items in the national budget, usually constituting about one-fifth of total investment.

Thus, the North Korean government has attempted to expand the proportion of thermal power capacity. Although their operating costs tend to be higher, thermal plants require generally less initial investment and construction time and can be built near consuming centers. However, expansion of thermal facilities has competed for fuel with other industrial users of domestic coal and imported petroleum. Accordingly, North Korea's endeavor to build thermal electric stations could not make any significant progress and the shortage of electric power still lingers in the mid 1980s. That is, the problems in mining and transportation adversely affect the operation of thermal power stations as well.

Rostow suggested social overhead capital is a precondition for economic growth.[39] Transportation and communications are critical for goods-flow and information exchange. North Korea's transportation system has been unevenly developed, thereby creating a dual economy of freight-conveyance. Communications are too controlled and underdeveloped to take a positive role in economic development. North Korea should either have built machine building plants along the east coast or have developed an effective east-west transportation system. The economic policy of substituting coal and electric power for oil seems inappropriate and can make the transportation stalemate worse.

To overcome significant constraints in transportation, mining and electric power, North Korean leaders have reinforced the extensive strategy; a nationwide campaign of mass mobilization and exultation, primarily by the TRT movement and the "speed - up" campaign. The workers were encouraged to double their efforts to achieve the targets ahead of schedule. North Korea's party organ, Rho-dong Shin-mun, carried an editorial on July 20, 1983, which claimed that the working class and workers responded to the challege by "effect(ing) great upsurges in production in all fields....including the fields of ferrous metals, coal, and the electric industry,....thereby providing a firm guarantee for attaining the goals for the production of 1.5 million tons of nonferrous metals and 15 million tons of steel."[40] It cited the Kumdok general mining complex, the Nampo lockage, and the Tanchon smeltery as examples of model enterprises. The editorial claimed that the struggle to create the "speed battle" is a mass advance movement based on the workers' extraordinarily high revolutionary zeal and resolve, and it is the most powerful weapon in carrying out the great tasks of socialist construction in the 1980s.[41]

5. TECHNICAL PROGRESS

It is generally suggested that technical progress is the most important factor in determining the rate of growth of an economy. Solow argued that 87 percent of the increase in American labour productivity between 1909 and 1949 resulted from innovation, but only 13 percent from the increase of funds (42). Fabricant proposed a similar conclusion through his study on the American economy on the period of 1895 and 1955.

Technical progress implies three aspects of "the increasing of knowledge, " i.e., invention, imitation and innovation. Invention is the process to lead a new technique for producing existing goods, or the production to change the form of existing goods or generate totally new goods. Technical progress is also achieved by purchasing and learning new technologies. While invention occurs domestically, imitation can be used to transmit of technolgies from abroad. In other words, both invention and imitation are major means to raise factor productivity, which may be acquired either by producing and upgrading technologies by domestic sources or by purchasing new capital goods embodying higher level technology. The former requires much greater investment in research and development (R&D) as well as continuous and extensive retooling of existing sources. The latter requires foreign exchange. Both imply a need for a better-trained workforce. Once new technologies are actually put into practice in the economy a product or process innovation is said to have occurred.

It is proper to distinguish between the effects of technological change and change itself. We may define technology as the "social pool of knowledge of the industrial arts" and the rate of technological progress as the rate at which this stock of knowledge is increasing.[43] We will generally assume that the effect of technological change is technical progress by which we mean that either

(a) more output can be produced given the same quantities of the inputs or, equivalently, the same amount of output can be generated by smaller quantities of one or more of the

(b) existing outputs undergo qualitative improvement;

(c) or totally new products are produced.[44]

In North Korea, technical progress is understood as something more than simple improvement of productivity. The term of technical revolution is commonly used instead of technical progress. According to Kim Il-Sung, technical revolution is not a simple technical scientific change, but a very critical revolutionary task to release the people from heavy labor, to produce more wealth, and to improve the people's living standards.[45] Technical progress in North Korea carries strong political implications, and the basic principle of technical revolution is to develop technology with a self-sufficient labour force while building the Juche Idea more firmly. Concretely speaking, technical revolution is to achieve independent economic development. Kim wants technical progress to be done by the people's power and wisdom under a self-sufficient economy and believes that the technical revolution can be brought about by the domestic technicians rather than introduced from abroad.

INVENTION AND IMITATION

Of the funds for research and development (R&D) put by the government and civil enterprises, the former is done for national security, national reputation and social benefit, while the latter is private interests. With profit incentive disregarded and private enterprises non-existent, investment in R&D comes almost exclusively from the government. As mentioned earlier, in North Korea, "Financing the People's economy" by the government reaches about 50 percent of the total government annual expenditures, and approximately 60 percent of it is estimated to be used as construction expenditure for military facilities. Since R&D has never appeared under the head of "Financing the People's Economy," we can imagine that the possible financial sources for R&D are included in state-subsidies for the state-local factories and business profit of each enterprise. Business capital by these two sources is invested in the name of basic construction funds, circulating capital, business funds, house-preserving funds, and small portions of firm-budget are invested for "extra-items." The amount of the last item is small and is usually put in use for political-ideological teaching and personal expenditures by managers or party cadres. The North Korean government does not provide any statistics relating to R&D. However, considering the shortage of capital in North Korean enterprises, it will not overly wrong to say that the amount of R&D is too small to generate any significant inventions.

When R&D investment by the government is not enough, inventions could be created by individuals. According to Schmookler, the supply of inventions is determined by the number of creative people and the amount of knowledge.[46] The demand for inventions is dependent on the demand for invented goods and profits. In North Korea, under very limited material incentives for invention, political and ideological rewards are emphasized instead. Rho-dong Shinmun complains that North Korean bureaucrats and managers are "accustomed to conservatism, a peace-at-any-price attitude not to adopt new scientific technologies into the production-process."[47] Considering the education and daily lives of North Koreans, the number of creative people and the amount of knowledge seem very limited. North Korea's social structure exists for Kim Il-Sung and the privileged class, and pushes the people to think, talk and to behave in accordance of the Juche Idea. Experts or scholars making light of the command rule are attacked for "technical-mysticism." The daily routine of four hour education on the Juche Idea and the well-organized work schedule not only precludes recreation, but also drains away their creativity and trains people to respond passively to commands. The post-war generation has been raised under the cult of Kim's personality. Lacking scientific technology, modern equipment, financial support, and material grants for invention, it is difficult to produce creative experts.

Accordingly, no outstanding invention has been announced from the industrial sectors in North Korea, but on occasion, success has been reached in plant-breeding and the improvement of an animal breed. Every factory has been strongly called on to invent a technology by the government, which is referred to as the " One Factory, One Invention" movement. It started in the early 1960's and has failed in achieving its goal because the technologies developed under this campaign were nothing more than remodelings and new applications of old technologies.[48]

It is a common view of economists that there is no close relationship between the growth of national product and the growth of financial investment for R&D because even nations investing almost no money can import new technologies from the advanced nations.[49] It would be a more practical strategy for North Korea to distribute limited experts and capital to the most critical sectors to import new technologies instead of self-investment in R&D. However there are both domestic and international political constraints on technology imports, in addition to financial factors.

Scientific technologies are classified into the first-, second-, and third-line technology.[50] First-line technology consists of electronic high technology and aerospace technology, which is monopolized by developed nations and protected from imitation by developing countries. Second-line technology is that where the advanced countries maintain a comparative advantage and improve the quality continuously, but this technology is in the process of imitation. Examples are the car-industry and the electronic technology. The third-line is the old and declining technology, whose imitation is generalized across the world and whose possibility to improve is relatively low. The textile industry and tobacco industry are examples of third-line technologies. First-line technology is monopolized by the advanced countries, and the developing countries generally import the third-line at their initial developmental stage and then the second after their early industrialization.

North Korea has mainly imported second-line technologies to the present. When reconstructing the economy with the help of China, the USSR, and importing technologies from the West, most of them were imported for heavy industry and war industry, such as power-plants, mechanical industry, ferrous metal industry and chemical industry. Even considering the influx of foreign technologies, the heavy industry of North Korea remains uncompetitive in the world market, so that it fails to earn sufficient foreign currency to allow continuous imports of high technology. Domestically, because the internal market is essentially a government monopoly and lacks economies of scale, there can be no question of innovation induced through competition. Mansfield argues the speed of imitation is quicker when it is a competent sector, a profitable sector, and a cheaply-imitated sector.[51] The pattern of technology imports by North Korea contradicts Mansfield's conclusion, because North Korea's heavy industry is neither a competent and profitable sector in the world market nor a cheaply-imitated sector.

Futhermore, North Korean leaders restrict free-imitation of the second-line technology. North Korea has declared technical progress one of the first goals of each economic plan, with no exception. Reporting the third Seven Year Plan, prime-minister Lee Keun-Mo, said the most important task was to develop new technologies rapidly and to fulfill technical progress,[52] but North Korean leaders are concerned that the introduction of new technologies would result in the weakening of ideology among the people. Since the empirical spirit of natural science is to a degree in conflict with ideological dogma, natural scientists and technicians are apt to make light of political ideologies. To prevent this, North Korea has reinforced the unconditional obedience to and absoluteness of the Juche Idea. Lee Keum-Mo concluded his report by saying that the party and the state have to propel three revolutions, i.e., ideology, technology and culture, to mobilize the labour force, and to attempt to keep North Korea free of capitalism and revisionism. To develop technology according to the Juche Idea is as contradictory as to eat "hot ice-cream." The Juche Idea denies the rationalism and the philosopical foundation necessary for technical progress.

INNOVATION

Innovation depends on three conditions. These are the opportunity to innovate, the capacity to innovate, and the pressure to innovate.[53] The opportunity is how well new technology and knowledge are introduced for a national economy to put them into use, and the capacity is the financial ability for continous invention and imitation of new technology. The previous parts demonstrated that the North Korean economy does not have sufficient opportunity and capacity in triggering innovation. That is, as it is difficult to expect technical progress through internal invention, North Korea need to import technology from external sources. Due to the closed economy and a shortage of capital, there are many difficulties in purchasing and learning advanced technologies. Moreover, North Korea does not have a market system stimulating innovation. By repudiating a market system and private interests, the North Korean economy cannot reproduce even the innovative behaviour of oligopolistic private large enterprises to meet the challenge of new technology.

According to Schumpeter, the heroes of economic development are the enterpreneurs.[54] They discover the opportunity of innovation and put it into practise. They develop and build up new enterprises and are also able to seize the chances to innovate new goods, new organizations and new resources. They also find out how to combine the investor's funds, the inventor's technology, the resources, and the manager's ability. As enterpreneurs' continuous activities succeed in innovation, the economy progresses.

North Korean bureaucrats are rewarded on the basis of achieving commanded goals. It would be foolish for them to undertake risky innovations. Economic planners and managers are accustomed to a "risk averse" spirit, such as conventional reporting and maintenance of the status quo. As a result, North Korean propaganda agencies emphasize repeatedly the revolutionary attitude and "Chongsan-ri spirit". In North Korea, there is a unique administrative punishment called "unsalaried labor penalty". This economic penalty deprives bureaucrats and managers who make mistakes of their salaries for a certain time. Most managers are known to have experienced this penalty.[55] Given the severe sanctions attached to failure, and the insufficient rewards to risk-taking in North Korea, the lack of enterpreneurship is predictable, irrespective of ideological exhortation.

Enterpreneurship is indeed partially ideological and psychological, but it is also structural. It requires an incentive structure which gives continuous opportunities to acquire profits and rents by exploiting opportunities for technical progress. Kim Il-Sung has advocated a closed economy preventing business managers from being exposed to competition in foreign markets. Obviously, in light of domestic considerations, a centralized management system running according to task-goals dose not grant such opportunities. The Taean Work System, an industrial management syatem, is a good example demonstrating structural problems constraining enterpreneurship in North Korea.

Industrial enterprises, although administratively under the central government, are autonomous production units in the sense of having sole responsibility for fulfilling the production tasks assigned to them. Before 1961 the plant manager had sole authority to decide matters in an enterprise and was also solely responsible for the factory's output. This one-man management had been found to be deficient and many problems were described.[56]

Having described the problems, the president, as the only authorized and approved source of wisdom, provided the solution, using the occasion of a visit to the Taean Electrical Appliance Plant in December 1961. His recommendations were immediately hailed as the answer to all the problems that had plagued the industrial sector and became known as the Taean system of industrial management. Within a few months the system had been established throughout the industrial sector. The Taean Work system (TWS) is characterized by party control over production units in order to appeal to the political consciousness of the workers. The Taean system is based on a technique of making the workers feel that they are participating in the management decisions of the plant. In the TWS the party committee, not the manager, makes decisions for the plant. Sixty percent of its members are production workers ; the remaining forty percent are party cadres, women's and youth league representatives, trade union members, and office employees. This committee is elected by all the party members in the factory. Managerial personnel hold conferences with the workers to hear their ideas for improving efficiency and raising output. In such meetings the basic production guidelines as established by the relevant planning authorities are not subject to discussion; only ways to implement the fixed goals in the best and most efficient manner are discussed. The purpose is to suggest to the workers that they play a vital role in worth while economic goals of the state and that their ideas and advice are appreciated.

The TWS calls for "detailed and unified economic planning" as opposed to the "target planning " of market socialism. It is a planning system in the sense that workers participate in the planning process with the "detailed and concrete knowledge" of actual conditions and production reserves. According to North Korean propaganda, "detailed planning" is possible under the TWS by "drawing up concrete and precise plans covering all facets of the branches and enterprises of the economy on the basis of strict scientific calculations and a good grasp of the objective conditions."[57] Most important, the TWS is a "unified planning system" in the sense that it connects enterprises with a centralized planning mechanism. In other words, the State Planning Committee embraces "the planning department and sections of the ministries, central organs, provinical people's committees, provincial rural economic comittees and other enterprises" as "hands and feet."

The regime sees the Taean Work System, however, in more ideological terms. For the party the most important feature of the system is that the factory party committee is the predominant authority in the factory's collective leadership structure, comprising the factory manager, the chief engineer and the factory party committee. The Party committee, in particular, replaces the former single authority of the manager.

In addition, a voice of the party committee in formulating the enterprise plan means party influence on the entire course of enterprise economic activity. North Korean enterprises, as a result, become hierarchical organizations and the decisions are controlled by the state and the party. The TWS regards the men of the middle as conservative obstacles and managers would find themselves accused of technical mysticism. When the party controls business planning and operation, political and ideological incentives substitute for economic rewards, manager authority diminishes, and technical expertise is downgraded in enterprise activity. The cumulative outcome of the effects mentioned above it discourages innovation and undermines technical rationality. Taken as a whole, the TWS is not compatible with pragmatic economic policies, but introduces further political distortions to what is essentially a command economy.

6. TRADE

Robert Dernberger observes that the pattern of China's economic development and development policy is determined, to a signicficant extent, by developments in China's foreign trade and capital movements. In his ongoing statements, the expansion of China's industrial production depends upon the ability to convert saved agricultural exports into imports of producer's goods and technicians, i.e., it is limited by the increase in export earnings, foreign loans and credits.[57] The perspective that foreign trade plays a critical role in Chinese economic development is partially advanced by Alexander Eckstein. According to him, foreign trade has played a marginal but very significant role both in maintaining stability and in contributing to growth. Eckstein's emphasis on foreign trade lies on imports. Import of capital goods play a most significant role in structural and development terms, even though foreign trade is relatively unimportant for the Chinese economy in aggregate terms. Imports of capital goods serve as a major avenue for the transfer of advanced technology from abroad.[58] In the Chinese case, it is quite clear that in the 1950s, the economy was gradually becoming more foreign-trade-oriented. This trend was reversed in the 1960s and in the 1970s foreign trade began to expand once more quite rapidly.[59]

In terms of foreign trade, Kim Il-Sung's economic model has adhered to the self-reliance principle. North Korea's self-reliance never means a complete autarky, but rather a deliberate pursuit of an import substitution and import minimization policy. As was the case in China, the importance of foreign trade is not significant in the North Korean economy, but import of foreign technologies and capital goods play pivotal roles in the economic development.

According to the statisics of the Institute of North Korean Studies, the weight of foreign trade in North Korea's GNP recorded approximately 20 percent during the 1960s, while in the early 1970s, it fluctuated between 22.3 percent (1971, 1972) and 34.3 percent (1974). This rate decreased to the levels of 17.8 percent (1980) and 12.5 percent (1981, 1982). These indices demonstrate that trade does not play a critical role in the North Korean economy. The weight of foreign trade in North Korea is comparatively lower than those of communist countries in East Europe. For example, in 1976 the index shows that the weight of foreign trade in East Europe marked 30-60 percent but in North Korea marked only 27 percent. However there is one point that we should not overlook. It is the fact that the North Korean economy has suffered from a trade deficit, particularly in the 1950s and in the early 1970s. This fact shows the emphasis of North

TABLE 9.

THE TREND OF NORTH KOREA'S TRADE

(Unit: US$ 1,000,000, Current Prices)

	Export	Import	Total	Trade Growth (%)
1960	154	166	320	
1961	160	166	326	2.0
1962	224	129	353	8.0
1963	191	230	421	19.4
1964	193	222	416	- 0.8
1965	219	231	450	8.3
1966	246	242	488	8.3
1967	223	218	440	- 9.8
1968	277	307	583	32.5
1969	307	389	676	16.0
1970	317	372	689	1.9
1971	268	503	771	11.9
1972	303	528	831	7.8
1973	382	702	1084	30.5
1974	504	1150	1654	52.5
1975	522	931	1453	-12.1
1980	1637	1712	3349	
1981	1095	1448	2543	-24.1
1982	1299	1465	2765	8.7
1983	1137	1347	2484	-10.2
1984	1186	1269	2455	- 1.2

Source: 1960 - 1975 : Bukhan Munjeyongooso
1980 - 1981 : Hanguk Gaebalyongoowon

TABLE 10

THE WEIGHT OF TRADE IN GNP

(Current Prices)

(Unit: US$ 1,000,000 and %)

	GNP	TRADE	WEIGHT
1961	1704	326	19.2
1962	1816	353	19.4
1963	1949	421	21.6
1964	2051	416	20.2
1965	2245	450	20.1
1966	2451	488	19.9
1967	2564	440	17.2
1968	2692	583	21.7
1969	2952	676	25.6
1970	3190	689	21.6
1971	3460	771	22.3
1972	3750	831	22.3
1973	4450	1084	24.4
1974	4820	1654	34.3
1975	5380	1453	27.0
1980	18764	3349	17.8
1981	20278	2543	12.5
1982	22104	2765	12.5

Source : 1961 - 1975, Bukhan Munjeyongooso
1980 - 1982, Hnaguk Gaebalyongoowon

Korea's trade policy lies in imports. In terms of trade structure, North Korea has mainly imported machinery and grain, and exported natural resources. These facts prove the emphasis of North Korea's trade policy has been laid in imports, especially imports of technology and machinery.

In the aspect of the growth rate, GNP increased by approximately 6 percent (1966-1970), 11.2 percent (1971-1975) and 2.3 percent (1976-1981), while trade was augmented by 8.3 percent (1966-1970), 17.7 percent (1971-1975) and 29.6 percent (1976-1981). This comparison demonstrates that trade increased more rapidly than GNP did before the 1980s. On the contrary, the absolute amount of foreign trade was curtailed by 0.9 percent in the early 1980s, e.g., by 281 million dollars (current U.S. $) and 28 million dollars (U.S. $ current prices) in 1983 and 1984. The curtailment was observed on the side of imports by 2.1 percent during the same period. The fact that imports were curtailed proves that the North Korean government reinforced the self-reliance principle in the early 1980s.

In the selection of trading partners, political concerns are paramount. By the end of the 1960s, North Korea's trade with communist countries amounted to 90 percent of total trade turnover, followed by Third World and non-aligned countries. Trade with Western countries was negligible. During this period, North Korea exported natural resources to communist countries imported machinery and technology as building plants with the assistance of communist countries.

In the 1970's, the trade policy of North Korea changed. Its concern with the introduction of foreign capital deepened and it began trading with the West. The turnabout in policy came as North Korea was in dire need of the latest machinery to bring about the "technical revolution" that North Korea upheld as its foremost goal during the Six Year Economic Development Plan. The Soviet Union had been a prominent source of foreign savings and technology for North Korea until the 1960's. However, the comparative backwardness of the Soviet technology vis-a-vis the West, North Korea's considerable trade deficit with the Soviet Union and its concern with the repayment of debts to that country also accounted for this switchover. North Korea also strongly felt the pressure of competition from South Korea.[60] Pyongyang led Seoul in per capita GNP well into the 1970's, but while North Korea's GNP doubled between 1966 and 1976, South Korea's tripled during that period. In the ideological contest as to which system provides the greater economic growth or the higher standard of living, Pyongyang's leaders could not afford to fall behind South Korea and so wished to utilize Western capital imports to fuel growth.

However, unfortunately for North Korea, it committed itself to heavy medium-term debt, which it expected to pay off through increased exports of metals and other basic materials, just as the world economy was moving into the recession caused by the first OPEC oil price shock. Demand for raw materials in the West stagnated while North Korea faced internal setbacks in its agricultural production because of drought. To compensate this trade deficit and increasing foreign debt, North Korea exported small quantities of gold bullion to the West. Over the 1974-79 period these sales, estimated at U.S. $134 million, were enough to offset 14 percent of its trade deficit with the West.[61]

In addition to the foregoing causes, because of low quality, North Korean exports of manufactured goods have fared better in Less Developed Countries (LDCs) than developed country markets. It could not sell its goods in the large markets of the West. The need for imported inputs was another constraint. Mining and steel production, in particular, require heavy machinery and high technology which cannot be produced domestically in sufficient quantities. In addition, the North Korean economy suffers from other previously-mentioned constraints, e.g., military spending, the shortage of energy and the high cost of imported oil. All of them played roles in limiting North Korea's export capabilities. Because of these reasons, exports cannot take significant role in obtaining foreign exchange.

A shortage of foreign exchange restraints imports

TABLE 11.

BALANCE OF TRADE, 1970-79
(US $ million)

Year	Exports (A)	Imports (B)	Trade balance (A)-(B)
1970	366	439	- 73
1971	310	690	-380
1972	360	630	-270
1973	510	750	-240
1974	770	1200	-430
1975	690	930	-240
1976	620	800	-180
1977	690	770	- 80
1978	950	960	- 10
1979	1150	1160	- 10
1980	1440	1740	-300
1981	1300	1600	-300
1982	1500	1800	-300
1983	1380	1550	-270
1984	1340	1390	- 50
1985	1350	1720	-370

SOURCE: Guktotongilwon,
1970-79, Nambukhan Gyoungjebikyo (Seoul, 1980), 67.
1980-95, Nambukhan Gyoungje (Seoul, 1987), 70.

TABLE 12.

NORTH KOREA'S MAIN CREDITORS

(Western Countries, the 1970's)

	Unit: US$ million
Japanese Companies (guaranteed by export insurance)	356
Cossortium of French, British, and West German banks (bond)	154
Consortium of French, British, and West German banks (export credits)	365
Swiss banks (export credits)	47
Swedish companies (export credits)	115
Austrian companies (export credits)	89
French company (export credits)	27
Finnish company (export credits)	27
Other	184
Total	1364

SOURCE : The Far Eastern Economic Review, June 26, 1981

them played roles in limiting North Korea's export capabilities. Because of these reasons, exports cannot take significant role in obtaining foreign exchange.

A shortage of foreign exchange restrains imports severely. As stated earlier, North Korea cannot introduce needed technology becuse of structural problems resulting from the Juche Idea. In addition, there are several constraining factors on the import of technology and materials.[62] First among these is the hard currency shortage. This results from a failure of capital inflow and export. A failure to rectify its trade imbalances and a failure to obtain the necessary import financing means diminished production and growth rates throughout the economy.

Another constraining factor is the economy's absorptive capacity. While the bulk of the Western technologies introduced to North Korea is classified under the heavy machinery category, the fraction of them which can be classified as high technology is much lower. It is apparent that in its drive for increased capital efficiency, North Korea has concentrated on acquiring the most basic types of industrial goods. One reason for this is that North Korea's industrial development has been extensive rather than intensive. This implies a development strategy which relies on the duplication of existing technology in greater quantity rather than on the acquisition of the latest technology to increase capital efficiency. An additional problem of absorption lies in an inadequate infrastructure. The country needs more ships and trucks to bring imported equipment to end-users. Unless planned increases in shipbuilding, truck manufacturing, rail links and port facilities improvements are achieved, North Korea cannot import needed technology and goods. Moreover, on the supply side, COCOM restrictions prevent Western countries from exporting many types of high-technology commodities to North Korea.

In his address to the Congress, in which he set out North Korea's objectives for the 1980's, Kim said:

> One of the important questions arising now in the economic development of our country is to promote foreign trade quickly.... Sources of export should be actively tapped in every field of the national economy, and the production of export goods increased in a big way. ...... While continuing to develop trade with the socialist countries on the principles of equality, mutual benefit and mutual accommodation, we must widely extend transactions with the Third World nations, non-aligned countries and many others in the world. We must see to it that the production of export goods is given priority in all fields of the national economy....[63]

The "many others" he referred to are obviously the Western countries which possess the most modern technology North Korea must obtain.

In 1980, there was another indication that North Korea was looking for help from the West, to back its development plans, when North Korea approached the United Nations Development Programme (UNDP) for assistance.

In so far as it is concerned about foreign trade, North Korea seems to have tried to dilute ideological rigidity as long as this does not threaten political stability. However, due to various domestic and external economic causes, North Korea's trade policies have failed and have not taken any significant role in economic growth except in the 1950s and in the early 1970's.

VI. ECONOMIC FLUCTUATION AND VICIOUS CIRCLE

1. ECONOMIC FLUCTUATION

The previous discussion of the economy, drawing attention to the abortive movement from extensive growth to intensive growth, demonstrates the way in which the Juche Idea interferes with the North Korea's economy. In addition, we could see that the Juche Idea and its economic model were major causes of economic stagnation in North Korea.

We, in this chapter, turn to the additional features of North Korea's political economy, i.e., the economic fluctuation and the vicious circle between the Juche Idea and economic stagnation. First, we will explore the attribute of North Korea's economic fluctuation by comparing it with China's. The observation of economic fluctuations shows that foreign savings and technologies trigger econoimc boom, but extensive economic strategy modeled after the Juche Idea, i.e., collectivization and labour mobilization, leads to economic recession. Second, the vicious circle shows the interaction between political ideology and economy, which verifies the conclusion of previous chapters and the observation of econoimc fluctuation. That is, intensive strategy, i.e., a modification of the Juche Idea's economic model, brings economic prosperity, but the extensive economic strategy of the Juche Idea brings economic recession.

Eckstein noticed that there were cyclical fluctuations in the rates of industrial growth in China.[1] Shimakura, also, acutely analyzed this economic fluctuation in terms of political economy.[2] As we noted earlier, in North Korea, there are economic fluctuations, i.e., prosperous economic periods in the 1950s and in the early 1970s, and economic slump periods in the 1960s and the post mid-1970s. North Korea's economic fluctuation is somewhat different from the economic fluctuation to which Eckstein and Shimakura described.

According to Alexander Eckstein, fluctuations in rates of economic growth in China can be viewed as resulting from a confrontation between Mao's vision of development possibilities in the Chiness economy and society and the country's economic backwardness particularly as evidenced by a high degree of population pressure, rapid population growth, a technically backward agriculture, and a low per capita food supply resulting therefrom.3) The essence of his theory is that the constant interplay between these two sets of forces creates a perpetual conflict between the goal structure of the policy makers and the economic capabilities of the system. (This conflict and attempts to resolve it leads to a dialectic process which provides both the basic engine of growth and the sources of cyclical fluctuation in China.) In other words, the core of his hypothesis is that economic fluctuations are generated by the interactions of harvest cycle and a policy cycle.

He distinguishes four phases in the economic fluctuation: the upper turning point, the downswing or contraction, the lower turning point, and the upswing or expansion.

The upswing is generated and gains cumulative strength from two interrelated sources. On the one hand, the good harvest provides more agricultural raw materials for industry. It also provides more foodstuffs for the industrial labour force, and it supplies more produce for export: in consumer goods industries because of the much larger raw material supply, in all industries because of the possibility to supply an increased labour force with the necessities of life, that is, with wage goods. Investment goods industries expand due to both of the reasons just cited and also by virtue of the fact that with higher export levels it becomes possible to finance an increased volume of imports, particularly of capital goods. As a result, the rate of industrial growth can be, and in fact is, greatly accelerated. These results of a good harvest are greatly reinforced by the policies which are follows increase in agricultural production. These policies provide the second source for the cumulative impact of the upswing. The particular policies are of course the mobilization and accumulation measures referred to above, with a shift from remunerative to normative appeals designed to raise not only the level but the rate of capital accumulation.

After a certain point these mobilization, capital accumulation, and high investment rate policies are necessarily brought to a halt by the simple fact that they cannot be pushed any further. After a certain point it becomes increasingly difficult to increase state procurement of produce in the countryside and to raise the rate of extraction from the agricultural sector. Moreover, tightening socialization and collection policies tend to have strong disincentive efforts on the peasantry.

Sooner or later, the kind of policies just referred to leads to a decline in agricultural production. The effects of a harvest downturn (either absolute or relative) then tend to spread throughout the economy, generating a cumulative downswing or contraction. A poor harvest can and does force a contraction all along the line throughout the economy. The cumulative downswing forces the regime to shift its policy and to place primary emphasis on measures which are congruent with the peasantry's own scale of preferences. Concretely, this means a shift from policies based preponderantly on normative and even coercive appeals to those relying much more heavily on remunerative appeals.

The new policy leads to at least three of consequences: first, it tends to undermine the economic and political control system in the country side; second, it interferes with the regime's economic and political power goals; and third, it tends to have positive effects on agricultural production to the extent that the new policies lead to an improvement in agricultural production. They then provide once more new room for maneuver following a good harvest. At the same time, strong inducements are built up for the suppression of the "capitalist tendencies" in the countryside and the reimposition of controls. The question may be posed as to why this cycle is recurring. Are there no learning effects? How is it that the experience and lessons that could be drawn from one cycle are not utilized for preventing or obviating the next? Actually the evidence would suggest that there are some learning effects, although different segments of the leadership and the bureaucracy may be learning different and, at times, contradictory lessons.

The lessons of apparent learning effects on Mao and some of his associates can probably be explained by the particular characteristics of their vision and image of the model communist man. It is not that no lessons were drawn from experience by Mao and some of his associates; rather, it is that learning effects were likely to be of a character that might tend to aggravate instead of diminish the force of the fluctuation. Mao and his associates

TABLE 13. FLOWCHART OF CHINA'S ECONOMIC FLUCTUATION

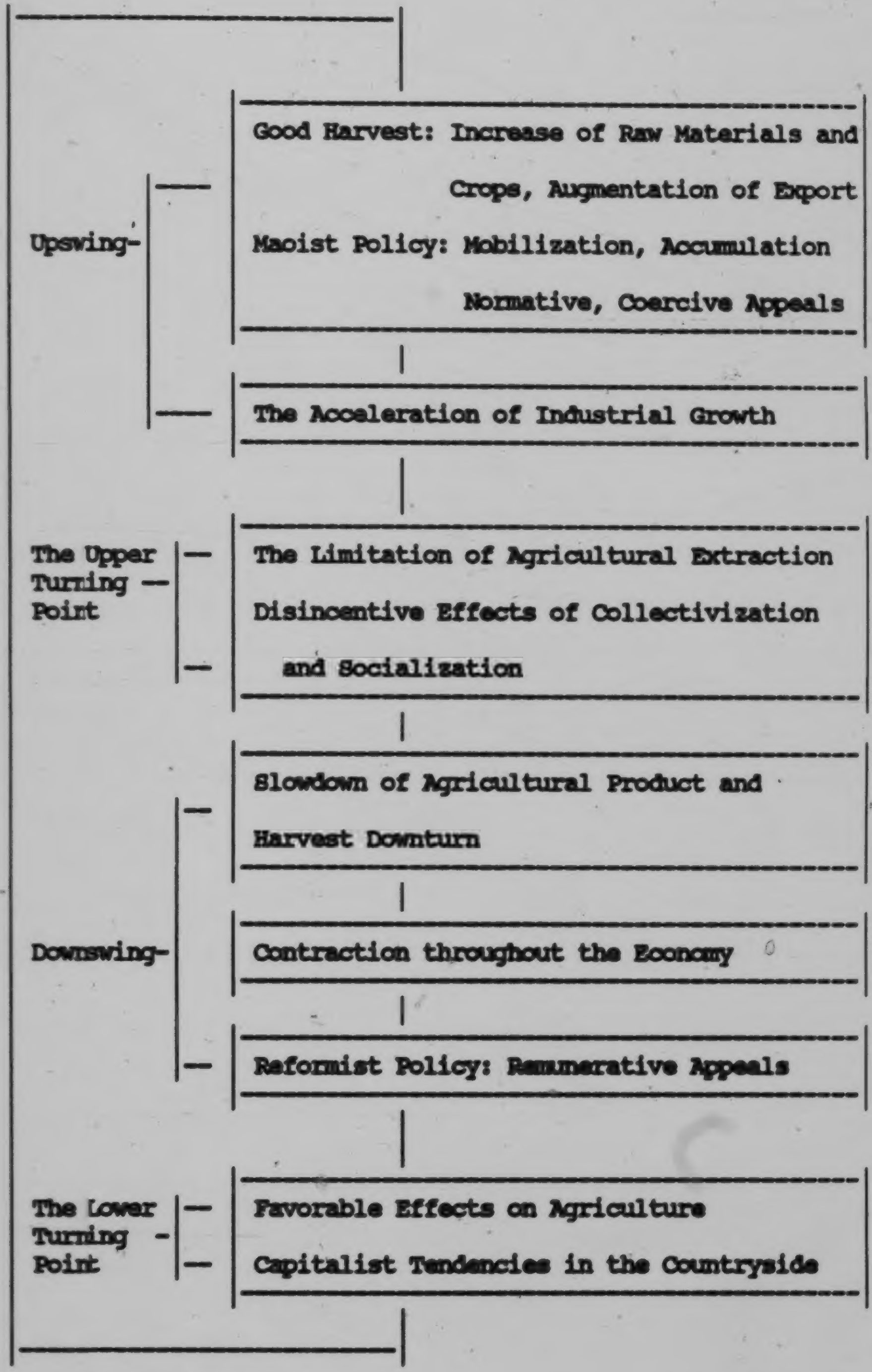

Upswing-
Good Harvest: Increase of Raw Materials and Crops, Augmentation of Export
Maoist Policy: Mobilization, Accumulation Normative, Coercive Appeals
The Acceleration of Industrial Growth
The Upper Turning Point
The Limitation of Agricultural Extraction
Disincentive Effects of Collectivization and Socialization
Downswing-
Slowdown of Agricultural Product and Harvest Downturn
Contraction throughout the Economy
Reformist Policy: Remunerative Appeals
The Lower Turning Point
Favorable Effects on Agriculture
Capitalist Tendencies in the Countryside

TABLE 14. CHINESE ECONOMIC CIRCLE (ECKSTEIN'S MODEL)

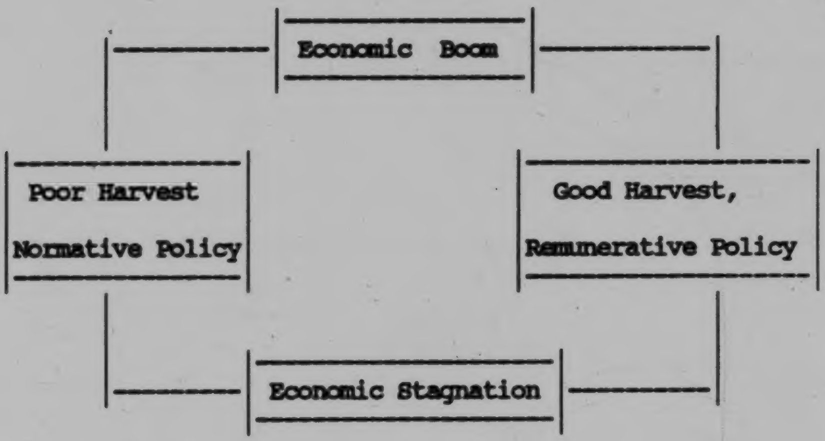
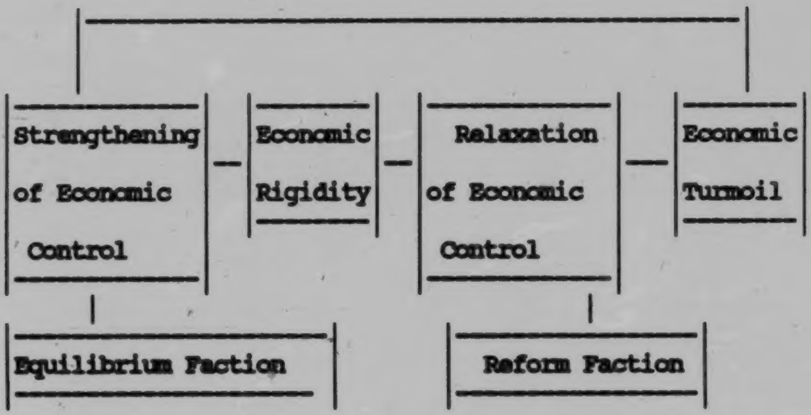

Economic Boom
Poor Harvest
Normative Policy
Good Harvest,
Remunerative Policy
Economic Stagnation

TABLE 15. CHINESE ECONOMIC CIRCLE (SHIMAKURA'S MODEL)


Strengthening of Economic Control
Economic Rigidity
Relaxation of Economic Control
Economic Turmoil
Equilibrium Faction
Reform Faction

"Equilibrium" reinforcement faction insists on the equilibrium of financial affairs financing foreign currency and production materials.

"Equilibrium" flexibility faction attaches importance to the market profits interests and the financial system.

thought that the fault was to be found in policy implementation, in cadre leadership, or in inadequate organization rather than in the basic policy guidelines. This then did not call for major changes in policy direction but for measures designed to insure tighter organization and an ideologically purer posture by the cadres.

On the other hand, a host of indications would suggest that at least "some elements of the leadership" were quite conscious of the fluctuations in rates of economic growth. However, Eckstein does not suggest who are "some elements of the leadership" and what policy perspectives they have. The relationship between the economic fluctuation and political factions are observed by Shimakura with considerable insight.

According to Shimakura, major changes at the very center of political power in China have occurred repeatedly during the first year of each of the five-year plans.[4] The reform of China's economic (management) system, cited from two Chinese economists, He Jianzhang and Ren Luosun, is carried out via a process of alternating periods of centralization and decentralization. In this model, China's economic cycle follows this pattern: centralization —> economic rigidity —> decentralization —> economic turmoil —> recentralization. He and Ren have shown that this process is repetitive and cyclic. The process of overcoming economic turmoil, i.e., excessive decentralization, by reimposing centralized controls, is called a "period of readjustment" in their model. In the process of readjusting to overcome economic turmoil, a "equilibrium faction" arises to insist on the recovery of equilibrium in the economy. Economic rigidity and stagnation due to the enforcement of administrative controls and bureaucratic management brings the "reform faction" into action to insist on decentralization and the expansion of local autonomy. The economic cycle and the structure of economic decision making are illustrated in Table 15.

North Korea's economic fluctuations show somewhat different attributes from Eckstein's and Shimakura's observations. First of all, agricultural production does not play a significant role in determining economic fluctuations. The effects of overinvestment by the state and foreign aid in the industrial sector have been profound, transforming the country's formerly agrarian and rural character. Between 1946 and 1963 the relative importance of agriculture and industry in the economy was reversed; the share of industry continued to grow in the 1970s. Corresponding to these changes were the decrease of agricultural weight in GNP from 28.6 percent (1957) to 21.5 percent (1970), while the share of industrial product increased from 37.6 percent (1957) to 57.3 percent (1970). Second, economic policies have been based preponderantly on normative and coercive appeals with no disruption. The particular policies are, of course, the forced domestic savings and labour mobilization. Collectivization and nationalization have been the main features of the North Korean economy, and the Chollima movement has been the basic method of labour mobilization even though the title of the mass campaign was transformed into the TRT movement and the Speed Battle. The North Korean government has made light of adopting remunerative appeals and material incentives. In addition, since the Soviet faction and the Yenan faction were purged by Kim Il-Sung, no economic debate has been found in North Korea, and technocrats are too weak to reverse Kim's economic model. Thus, there has been neither a policy cycle nor a reformist faction found in China. Fourth, there is no alternating process of centralization and decentralization. The TWS and the Chongsan-ri method institutionalize very centralized management system, and North Korea has not seriously attempted to resolve economic problems through decentralized administrative management.

Finally, China's economic fluctuation is essentially domestically induced, but by contrast North Korea's fluctuation is closely connected to the international environment. The mobilization of capital from abroad is a function not only of domestic policy but also of foreign relations. Unlike the China's fluctuation therefore, North Korea's fluctuation depends on external contingencies. For example, the major inflow in the 1950s was disrupted by the Sino-Soviet dispute, and oil crisis and price instability of natural resources in the world market curtailed the second capital inflow. This fact does not weaken our emphasis to the Juche Idea. The rigid economic operation based on the Juche Idea has weakened the domestic elasticity of the North Korean economy in adjusting to changing international relations. Furthermore Kim and his associates have reinforced the Juche Idea in facing the curtailment of foreign savings instead of introducing them from new sources. Accordingly, these facts demonstrate that the economic fluctuations of North Korea are determined by different factors in China. North Korea's economic fluctuation comprises four phases, i.e., the upswing, the upper turning point, the downswing and the lower turning point.

The Upswing The upswing of the North Korean economy is generated and receives cumulative strength from two inter-related factors, i.e., foreign savings and imports. Given the labour mobilization and centralization in agiculture and in industry, sufficient foreign savings and imports provide more capital, machinery, and new technologies for industry. As a result, the rate of industrial growth, particularly in heavy industry, is greatly accelerated. To an extent, these two factors tend to reinforce the upswing at least in the short run. The first economic boom in the 1950s and the early 1960s lasted almost 10 years, and the second one in the early 1970s lasted for four years. In the case of the first prosperous period, communist countries were the major sources of foreign savings and capital goods. During the second economic boom, Western countries, particularly Western European countries and Japan, as well as communist countries supplied them. In the North Korean case, the author calculates that foreign savings are more important than imports of machinery and technologies in determining economic fluctuation. The imports of machinery and technology are impossible without foreign currencies coming from foreign savings because exports fail to obtain sufficient foreign exchanges for imports.

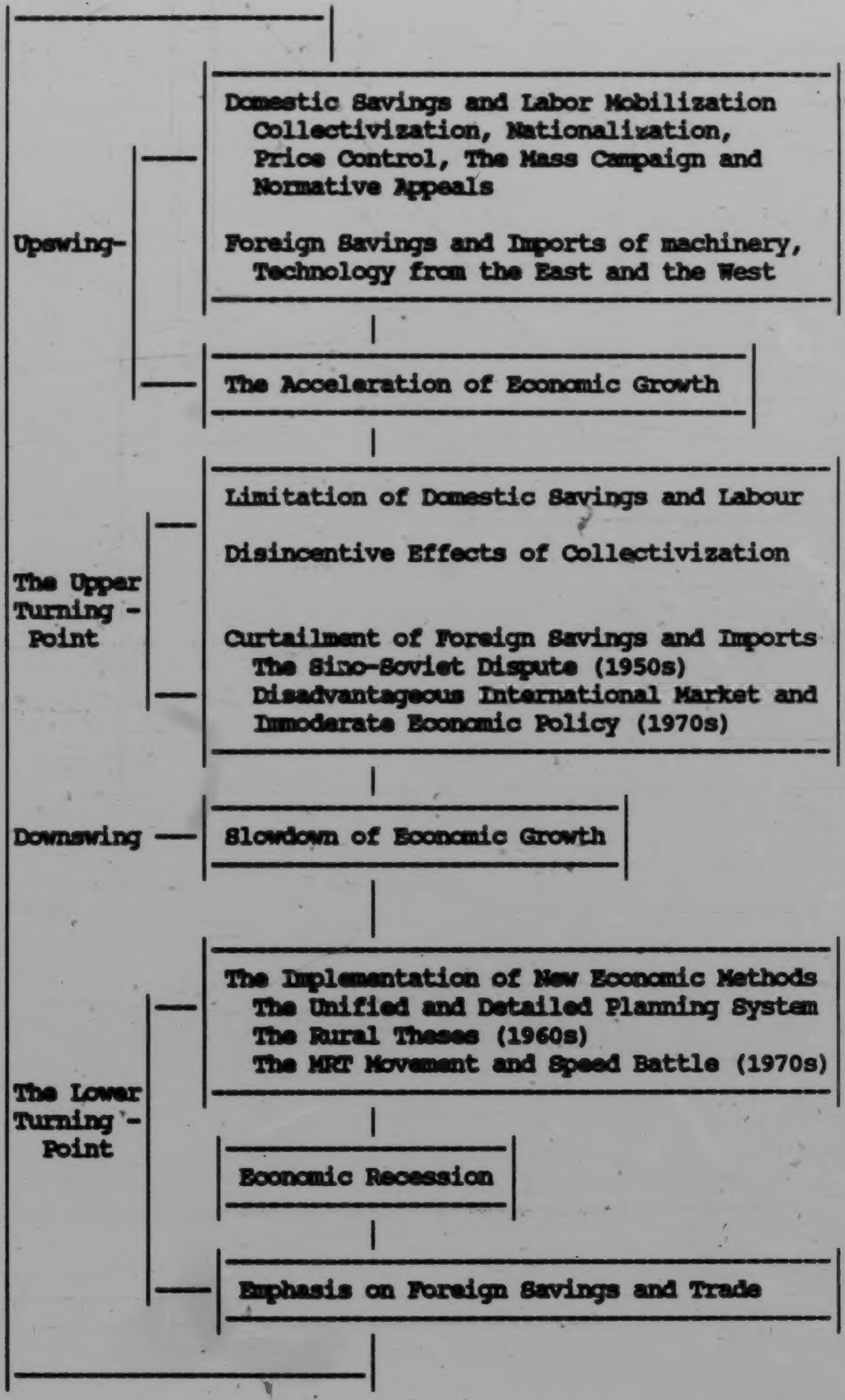
The Upper Turning Point After a certain point, it becomes increasingly difficult, if not impossible, to introduce foreign savings and foreign capital goods continually. The first economic boom was interrupted by the Sino-Soviet dispute which turned North Korea against the U.S.S.R. Foreign savings from the Soviet Union were abruptly curtailed and the withdrawal of Soviet technicians followed. The second prosperous phase was ended because of several causes, e.g., low price of natural resources which is the main item of North Korea's exports, expensive oil prices, and political goals to achieve the plan ahead of schedule. At this stage, the North Korean government tends to step up the rate of domestic factor mobilization, i.e., the strong implementation of new methods of labour mobilization and repression of consumption. During the last phase of the first economic boom, Kim Il-Sung and Kim Il, who was the second most powerful leader then, strongly emphasized the Chollima movement, the TWS and the Chongsan-ri method. In the mid 1970s, Kim Il-Sung and his son, Kim Jung-Il, implemented a new method of the mass-line, which was referred the TRT movement. However, tightening collectivization and centralization policies tend to have strong disintensive effects on the workers and peasantry.

The Downswing The blockade of foreign sources and the kind of policies just referred to lead to a decline in economic growth. This may come about not only because of disincentives and disruptions in the production process engendered by the policies outlined above, but it may also result from certain structural problems engendered by these same polices. In other words, heavy industry is not competitive in the world market, so that it cannot generate foreign currency, while the contraction of light industry and agriculture work in the reverse direction, rather than toward an economic boom. Moreover, labour productivity and resource productivity decrease continually, i.e., capital coefficient increases. In 1964 Kim Il-Sung set forth "the unified and detailed planning system" designed to encourage a more systematic and scientific approach on the part of planners and to stimulate local initiative by the producers under the unified direction of the SPC. In terms of agriculture he proclaimed the "Theses on the Socialist Rural Question in Our Country" (known as the Rural Theses), providing more concrete measures to assist the Chungsan-ri method. Kim Il-Sung named 1975 as the year of transportation, and 1977 as the year of transportation-line to overcome the transportation bottleneck. Major proclamations relating to factor productivity have occurred repeatedly during the period of economic slump. Such facts connot be ascribed to mere coincidence; this consistency points to a cause-effect relation between low factor productivity and the economic slump.

The Lower Turning Point The blockade of foreign sources leads to the long-term economic stagnation and structural rigidity in economy. Long-term stagnation leads the North Korean policy makers to reinforce domestic factor mobilization and the open-door policy. The former choice comes from the absence of learning effects on Kim Il-Sung and some of his associates, which probably be explained by the their vested interests and political utilities of the Juche Idea. The reintroduction of foreign savings and imports of foreign machinery and technologies then provide once more new room for maneuver following industrial growth and economic boom.

Although North Korea's economy fluctuates, neither remunerative appeals nor political debates on economic policy result. Instead, there is a factor mobilization

TABLE 16.
THE FLOWCHART OF NORTH KOREA'S ECONOMIC FLUCTUATION


Upswing-
Domestic Savings and Labor Mobilization
Collectivization, Nationalization,
Price Control, The Mass Campaign and
Normative Appeals
Foreign Savings and Imports of machinery,
Technology from the East and the West
The Acceleration of Economic Growth
The Upper Turning - Point
Limitation of Domestic Savings and Labour
Disincentive Effects of Collectivization
Curtailment of Foreign Savings and Imports
The Sino-Soviet Dispute (1950s)
Disadvantageous International Market and
Immoderate Economic Policy (1970s)
Downswing
Slowdown of Economic Growth
The Lower Turning - Point
The Implementation of New Economic Methods
The Unified and Detailed Planning System
The Rural Theses (1960s)
The MRT Movement and Speed Battle (1970s)
Economic Recession
Emphasis on Foreign Savings and Trade

policy which is an extensive economic strategy based on the Juche Idea. Under this circumstance, the inflow of foreign savings through aid and/or loan and foreign technologies remain the possible remedies for rigid factor mobilization and low productivity. The fluctuation of the upswing —> the upper turning point —> the downswing —> the lower turning point is illustrated in the form of flowchart in Table 16.

2. THE VICIOUS CIRCLE

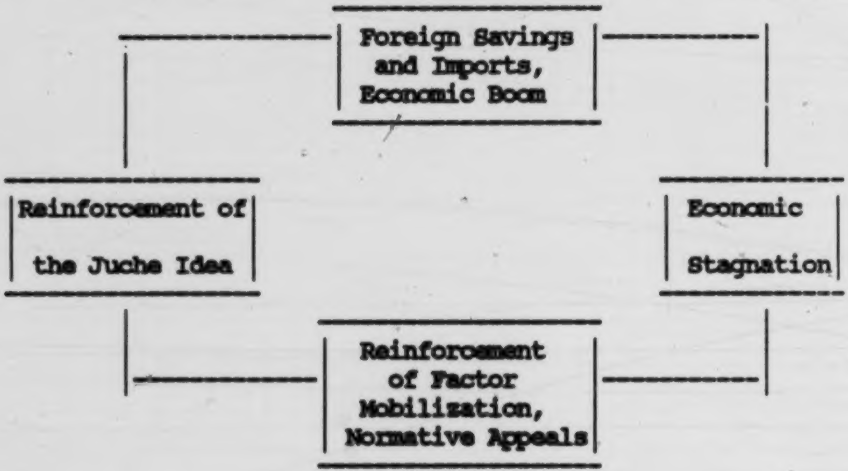
Here, the question arises as to how Kim Il-Sung, despite the economic recession, can adhere to the rigid economic policy based on the Juche Idea. In other words, it is necessary to answer the question of why the economic recession reinforces the Juche Idea in North Korea. The proceding observation provides us the implication as to this question; the relation between the Juche Idea (or Kim's economic model) and economic stagnation. We may call this relation "the vicious circle," and this may be the key fact to understand the pivotal cause of North Korea's long-term stagnation.

Brzezinski stressed the incompatibilities between totalitarianism and the requirments of a modern, industrial, and hence bureaucratic order.[5] According to him, totalitarianism is to disappear imperceptively and unintentionally. However,insofar as the North Korean economy is concerned, Kim Il-Sung's charismatic power has not faded away, despite industrialization and long-term economic stagnation. According to Max Weber, the charismatic leader demands unconditional devotion from his followers, and he will construe any demand for a sign or proof of his gift of grace as a lack of faith and a dereliction of duty. Yet his charismatic authority will disappear if proof of charismatic qualifications fails for too long.[6] How then can Kim Il-Sung sustain his totalitarian dictatorship despite long-term economic stagnation?

The vicious circle comprises four aspects, i.e., the reinforcement of the Juche Idea, economic stagnation, and two procedural factors which connect the emphasis on the Juche Idea and economic recession. The first procedural factor that connects the economic recession to the Juche Idea is the economic boom. The economic boom of North Korea is triggered by the introduction of foreign savings and foreign technology, and by successful domestic factor mobilization. However, the economic boom centers around heavy industry which lasts for a certain period, and the economic linkage effect does not occur between heavy industry and other industries. Another factor which connects the process from the Juche Idea to the economic recession is the strong implementation of new methods for normative and coercive appeals and domestic factor mobilization.

This circle moves on the following pattern as Economic Boom (mainly by foreign savings and imports) --> Reinforcement of the Juche Idea --> Reinforcement of Factor Mobilization and Normative Appeals --> Economic Stagnation --> New Economic Boom.

TABLE 17. THE VICIOUS CIRCLE


Foreign Savings and Imports, Economic Boom
Reinforcement of the Juche Idea
Economic Stagnation
Reinforcement of Factor Mobilization, Normative Appeals

As we observed, the North Korean regime achieved notable economic successes twice in the 1950s and in the early 1970's. The critical factors in each economic boom were foreign savings and imports of machinery and technology. Imported capital and technology were preponderantly allocated to heavy industry, and it led the overall economic growth. To explain the first economic boom, we need to add successful domestic factor mobilization. It is not overly wrong to say that the

Juche Idea played an critical role in domestic factor mobilization in the 1950s. However, the domestic factor mobilization has not been an important factor in economic prosperity since the mid-1960s. In other words, the economic policy based on the Juche Idea is no longer a significant factor in economic boom, but economic prosperity is triggered by foreign savings and imports.

The two economic booms proved to North Koreans that Kim Il-Sung was a great leader and the superiority of their system. As a result, Kim could survive political struggles successfully and build, or reinforce, his totalitarian dictatorship and the Juche Idea. That is, economic boom strengthens Kim's political legitimacy, and this in next turn reinforces the Juche Idea and Kim's economic model.

Then this stage moves to the third phase, implementation or reinforcement of totalitarian economic model. Kim started the Chollima movement, the Chonsang-ri method and the TWS after the first boom, and the TRT movement in the 1970s. In the transition from the second phase (reinforcement of the Juche Idea) to the third (reinforcement of factor mobilization and normative appeals), two phenomena, political stability and economic instability, are observed. Kim Il-Sung's political power is strengthened and the cult of Kim's personality is reinforced. Corresponding to this political development, disincentive effects of economic operation and the curtailment of foreign savings and imports appear in the North Korean economy. The effects of changes just referred to lead to a contraction throughout the economy. It is noticeable that the Juche Idea is not the sole factor leading to economic downturn. External contingencies and disincentive economic situation of North Korea for foreign investors prevent the inflow of capital and imports. That is, external contingencies as well as the economic model of the Juche Idea, e.g., factor mobilization and normative appeals, drive the economy to economic slump.

As the economic recession deepens, Kim and his associates have adopted a limited open-door policy, and introduce foreign savings and imports. On the other hand, parallel to the open-door policy, they maintained rigid economic operations based on the Juche Idea domestically. New inflow of foreign savings and technologies tends to trigger an economic boom, and the vicious circle becomes cyclic and repetitive.

Then why does economic recession reinforce the Juche Idea? We can suggest several reasons in the light of the previous observations on the Juche Idea and the North Korean economy. The first reason is the existence of comparatively short-term economic booms. They demonstrate to North Korean people that their system is superior to that of South Korea and Kim Il-Sung is a great leader. This implies that if the North Korean economy had not achieved two economic booms, Kim Il-Sung could not have maintained his totalitarian dictatorship and the Juche Idea. In other words the two economic booms functioned as "proof of charismatic qualifications" in North Korea. Secondly, the development strategy that Kim adopts is essentially advantageous for him to preserve his totalitarian dictatorship. Economic development based on the forced domestic savings and the mass mobilization meets the economic principles of the Juche Idea.

What is more important is the fact that foreign savings and imports triggered the two economic booms. Had the North Korean policy makers adopted a development strategy based on the adoption of market system and price system or the open-door policy, such development would have destroyed the foundation of Kim's regime. In other words, as drawing, to a limited extent, foreign savings and foreign capital goods, Kim Il-Sung can achieve economic booms on the one hand, and on the other hand, preserve his society free from fundamental change and impacts from outside. In this sense, the introduction of foreign savings and foreign capital goods may be the only method for Kim Il-Sung in accomplishing economic prosperity in accordance with maintaining totalitarian dictatorship. This argument does not imply that the North Korean economy can only grow with foreign economic support. It is only persuasive under the condition that Kim Il-Sung preserves his dictatorship and neglects domestic economic reforms including the introduction of a market system and private ownership.

Finally, the successful cult of Kim's personality, and the extremely closed social system help Kim maintain his regime. In this hermetically closed society, North Koreans have become ignorant about foreign countries and have no opportunities to compare North Korea's social situation with any other. Furthermore, repetitive assertion of the cult of Kim's personality and ideological reinforcement make the people believe Kim's greatness and follow his instructions without any protest. In addition, the disruption of personal communications between people and the coercive terrorist control over the people leave no room for North Koreans to generate ideas against Kim Il-Sung.

VII. CONCLUSION

So far we have observed the North Korean political economy as using the totalitarian model. Particularly, we focused on the reason why the economy fails to achieve continuous development. The author finds the cause of a long-term economic stagnation of North Korea in the failure in moving from the stage of extensive growth and to that of intensive growth. In addition, we explored two features of North Korea's political economy, i.e., economic fluctuation and the vicious circle.

The economic model to which Kim Il-Sung has adhered is based on the Stalin's economic model and Mao's mass line, which turns out to be very advantageous for factor mobilization. On the other hand, in the North Korean economy the extensive growth strategy is based on domestic forced savings and labour mobilization has a certain limitation, and this limitation can be overcome by introducing foreign savings and importing capital goods. Foreign savings and imports enable Kim Il-Sung and his associates to accomplish rapid industrialization in accordance with political stability. We also have observed a peculiar relation between the Juche Idea and economic recessions, the vicious circle demonstrates how Kim Il-Sung can maintain his totalitarian dictatorship despite long-term economic stagnation. A successful economic development is a pivotal factor in maintaining

Kim's charismatic power. Here is a dilemma for Kim Il-Sung.

It took a decade for the North Korean regime to achieve the second economic boom after the end of the first economic boom. Another decade has passed after the suspension of the second economic success, but the North Korean economy still suffers from long-term economic stagnation. It is crucial that Kim Il-Sung show the superiority of the Juche Idea and his greatness. Hence, Kim Il-Sung and his son, Kim Jung-Il, proclaimed the joint-venture law to induce foreign savings and technology. Gang Suk Rhee depicted this recent move as the 'reds' in North Korea simply scratching the skin of their economic problems.[1] The Juche Idea cannot be reinforced without a short-run economic boom through the introduction of foreign savings and technology. Unless the present regime in North Korea can achieve a new economic boom through the joint-venture law or an open door policy, Kim Il-Sung will have to find political scape-goats, or achieve the reunification of Korea. Kim Il-Sung has already purged some senior political leaders, including Kim Il and Choi Hyon, charging them with disloyalty toward him and the Juche Idea between 1978 and 1982. Another possible alternative for Kim Il-Sung is to create a serious military crisis in the Korean peninsula. This does not imply that war is a way out of economic stagnation, but a way to dilute people's dissatisfaction on their poor living standard.

A political purge and military attacks against South Korea were used in the late 1960's and the early 1970's. To overcome the crisis brought on by long-run economic stagnation, Kim purged the Kabsan faction and some military leaders, and provoked serious military confrontations with South Korea and the United States. Fortunately, the North Korean regime achieved an economic boom in the early 1970's and substituted the military confrontation with North-South dialogue. At this very moment of the mid-1980s, the remaining alternatives that Kim Il-Sung can use in preserving his charismatic power are economic booms or serious military crisis in the Korean peninsula.

Why does Kim Il-Sung adhere to a rigid economic operation which is the most important cause of economic recessions? Summarizing the answers in two parts, we can suggest that they are the political utility of the present economic model and ideological attachment to unification. The economic principles such as closed economy, the mass line and the emphasis on politics in economic operations, are closely related to political utility, and the development of heavy industry is connected to the unification strategy. In other words, Kim Il-Sung's political desire to preserve his dictatorship is the pivotal cause of economic recession. Accordingly, we can predict that as long as Kim Il-Sung and Kim Jung-Il are in power, the Juche Idea and the totalitarian economic model will not change and North Korea, as a result, will suffer from economic stagnation. Kim Il-Sung and his associates will try to introduce foreign savings and to import foreign capital goods. However, as we observed in the case of the joint-venture law, Kim's open-door policy will be limited policy and its effect will be obscure.

We need to add a brief mention of the difficulties North Korea will face if the Soviet Union and China move towards a rapprochement. The Juche Idea and its economic principles were essentially the product of Sino-Soviet dispute, and the conflict of two countries was beneficial to North Korea as they competed to draw North Korea into their respective camps. As far as the author is concerned, the rapprochement will not affect severely the present economic situation of North Korea. This is because of two reasons. Kim wants to maintain the present economic system and his dictatorship despite external changes. In addition, the Soviet Union and China are more concerned about developing their own domestic economy than changing a hermit totalitarian country.

Finally, we need to explore some possibilities in overcoming economic stagnation in North Korea: arms exports and policy change. Arms were exported to some of African and Asian countries, especially to Iran. Along with arms export, North Korea has tried to gain foreign currency to repay its foreign debt to the West, which is one of the most important obstacles for North Korea in promoting foreign savings and imports.

North Korea has supported Iran in the Iran-Iraq war from its outset. North Korea and Iran made a trade agreement in 1984, and the agreed-upon annual volume of trade has been about US$ 280 million since 1976.[2] Iran has become an important export market for North Korea, since North Korea has recorded a large trade surplus from its trade with Iran. The major item of North Korea's export is arms, and oil is a major import item. It is difficult to calculate exact amount of arms export. However, if considering the actual trade fulfillment ratio which has been only 4-7% of the agreed amount, and the fact that Western banks proclaimed North Korea in default in 1987, we can assess that arms exports alone cannot solve the shortage of foreign currency.

In addition, we anticipate policy changes after the death of Kim Il-Sung in North Korea. Kim Il-Sung may expand the range of alternative interpretations of the Juche Idea - for example, the joint-venture law and the self-supporting accounting system. But further efforts may create a real crisis of legitimacy. Hence the author believes that Kim Il-Sung will adhere fast to the totalitarian economic model even to his death, and policy change will occur at the post-Kim era. Here remains a critical question - political succession.

Most experts on North Korea believe in the stability of the political succesion, and they view Kim Jung-Il as the "red." What is evident is that there is not yet any clear indication of change in the basic economic model and aggressive policy toward South Korea ever since Kim Jung-Il was proclaimed as a successor in 1980.

It is important to compare implications of a failed vs. successful succesion plan. If the succession plan for Kim Jung-Il fails, a period of confusion can ensue, and either collective leadership or a new leader will follow. There is a likelihood that either leadership will be amenable to the key elite in its demands for modernization of the military and economic technology, as well as the demands of the public for more consumer goods.[3] Another implication of failed succession plan is ideological deemphasis, eventually leading to de-Kimification, but such a sequence takes a long and zigzag course for fear of its impact in an atomized society.

On the other hand, if the succession plan is carried out successfully, Kim Jung-Il is unlikely to alter his father's policy. We question wether changing environment and serious economic stagnation can create enough pressure Kim Jung-Il to undertake economic reforms. The North Korean polity to a limited extent has moved past the revolutionary and mobilization phases of its existence.[4] The post-World War II generation has replaced the old partisan revolutionaries, and generalists have been replaced by specialists with professional expertise. Futhermore, Kim Jung-Il has less charisma and a greater sense of inscurity than his father. Hence, we expect that Kim Jung-Il may have no alternative but to opt for economic functionalism and routinization of charisma while filling important positions with his relatives and associates. However, the author does not believe this arguement is realistic.

North Korea's campaign has propagated the theory of succession in the Juche Idea including two dimensions; revolution and blood lineage. Kim Jung-Il's political legitimacy is based on the Juche Idea, especially on sanctification of dynastic succession and ideological indoctrination. The political leader appointed by an "exogenous force," his father, does not seem willing to pursue economic reforms at the expense of weakening his ideological base and causing a political crisis. Kim Jong-Il will choose the same economic policy for development as his father, i.e., a limited open-door policy, the introduction of foreign savings and imports. Economic stagnation will continue and the vicious circle will be in motion as long as the "Kim dynasty" exists in North Korea.

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